THE INFLUENCE OF SERVICE INNOVATION PRACTICES ON BUSINESS PERFORMANCE

By

SIPHO SELATOLE MAKGOPA

(Student Number: 14278732)

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Prof A.J. Antonites

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ABSTRACT

This study examined the influence of service innovation practices on business performance which has received limited attention in academic literature. Complexity Theory served as the underlying conceptual lens that enabled this research to answer the research questions and attain the research objectives. This study introduced environmental dynamism and environmental competitiveness as potential moderators on the relationship between the service innovation practices and business performance of South African motor vehicle retailers.

A mixed research method was used to gain an in-depth understanding of the implementation of service innovation practices in service organisations, to determine the influence of these service innovation practices on business performance, and to determine the potential moderating role of the environmental factors (environmental dynamism and environmental competitiveness). In-depth interviews and self-administered questionnaires were used to collect the primary data during the qualitative and quantitative phases, respectively. The Atlas.ti Version 8 software program was used in the content analysis to analyse the qualitative data. Both descriptive and regression analysis methods were used to analyse the quantitative data using the statistical software package SPSS Version 25. The internal consistency reliability of the measurement scales was assessed using Cronbach's alpha values. This study used the structural equation modelling statistical technique to conduct confirmatory factor analysis on variables of interest with the aid of the Amos software package.

This study uncovered the key drivers of service innovation practices, the types of service innovation practices being implemented, and how these service innovation practices are planned and implemented. In addition, this study revealed the barriers that hinder the planning and effective implementation of service innovation practices. Moreover, the results of this study revealed the positive relationship between service innovation practices and business performance (profit growth/maximisation, organisational competitiveness, and organisational reputation. Furthermore, the results of this study affirm the moderating role of environmental competitiveness on the relationship between service innovation practices and profit growth/maximisation, and that there are no moderating effects on organisational competitiveness and organisational reputation. Lastly, the results of this study revealed that environmental

dynamism does not have moderating effects on the relationship between service innovation practices and business performance (profit growth/maximisation, organisational competitiveness, and organisational reputation. These results provide significant contribution to theory and service innovation literature by demonstrating that organisations operating in a developing such as South Africa can achieve improved business performance through implementation of service innovations. This study provides recommendations to stakeholders in the motor vehicle industry and future research directions.

Key words: innovation, organisational competitiveness, organisational performance, organisational reputation, profit maximisation, service innovation

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CHAPTER 1:
INTRODUCTION TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND

In the competitive business environment of the 21st century, organisations have recognised the necessity to frequently innovate and provide new and improved products and services to customers. The necessity to frequently innovate is the result of strong competitive pressures, globalisation, frequent technological changes and a need to achieve the intended outcomes (Patrício, Gustafsson & Fisk, 2018:3). Organisations do research into and implement new innovations to improve their existing products or services in efforts to obtain new customers or to maintain their market share (García-Sánchez, Siles & Vázquez-Méndez, 2018:375). This means that effective innovations are crucial for organisations to achieve improved business performance, such as gaining or maintaining a competitive advantage and adding value to customers and other stakeholders.

Effective innovation refers to the achievement of the intended outcomes as a result of the innovation, which in turn, depends largely on the effectiveness of the implementation thereof. However, recent research studies have uncovered that the actual implementation is a crucial process that involves the intermediate stage between innovation idea development and adoption (Chung & Choi, 2018:1000). In addition, organisations can achieve and maintain a competitive advantage by having resources and capabilities that are different from those of their competitors; and that are valuable, and difficult for other competing organisations to imitate (Bellini, Dell'Era, Frattini & Verganti, 2016:91; Hsu & Ziedonic, 2013:761).

Moreover, the achievement of a competitive advantage depends on the organisation's innovative capabilities and resources (Yanadori & Cui, 2013:1503). The key factor is that the development and implementation of innovation strategies are believed to assist in improving organisations' business performance by increasing their market share and by providing the organisations with a competitive advantage (Prajogo, 2016a:975; Gunday, Ulusoy, Kilic & Alpkan, 2011:662). García-Sánchez *et al.* (2018:376) added that innovation is linked to competitiveness and is necessary in order to maintain competitiveness in the market. Furthermore, competitiveness is necessary for maintaining and improving market standing. Therefore, the effective

implementation of innovations is important to ensure a market-driven approach that contributes towards maintaining a competitive advantage over competitors and business growth. Bellini *et al*. (2016:18) recommended that future research should focus on the actual implementation of innovation activities by motor vehicle retailers and the assessment of the impact on business performance. Helkkula, Kowalkowski and Tronvoll (2017:1) emphasised that innovation, specifically, service innovation is a key source of competitive differentiation across different organisations and markets. This research study on which this thesis is based, addressed the preceding call for research, and aims to add value to innovation literature by adopting the Complexity Theory in the exploration of the implementation of innovations, focusing on the service innovation practices of motor vehicle retailers and the influence on business performance.

Hinterhuber and Liozu (2014:414) postulated that organisations can facilitate innovation by utilising the marketing mix elements, such as price, as a source of competitive advantage. However, the majority of organisations do not engage systematically in pricing innovation, as pricing strategies are largely based on competition or cost-based pricing, and pricing tactics are limited to discounting. Furthermore, these organisations do not have a dedicated function, such as, for example, a chief pricing officer responsible for improving price-setting or price-getting capabilities. Hinterhuber and Liozu (2014:414) further defined pricing innovation as the innovation that brings new-to-the-industry approaches to pricing strategies and tactics, and to the organisation of pricing with the objective of increasing customer satisfaction, and ultimately, company profits. Therefore, this study contributes to the existing body of knowledge by probing the implementation of price innovation as part of the service innovation activities of Motor Vehicle Retailers (MVRs) operating within the South African context.

The competition between organisations in the motor vehicle industry is increasing, mainly due to the introduction of new brands in the southern African market environment, and these organisations are operating in a dynamic and competitive business environment (Van Tonder, Petzer & Van Zyl, 2017:44). The motor vehicle industry is considered to be one of the oldest industries and it has long been seen as an indicator to the health of the general economy in many countries (Fraser, Tseng, & Hvolby, 2013:6). According to Fraser *et al*. (2013:6), the motor vehicle industry does not just involve the manufacturing of cars and car parts, but it includes the marketing,

selling, and after-sale service which are carried out by MVRs, which have an equally huge impact on the economy.

According to Statistics South Africa, local vehicle sales in South Africa stood at an average of 39 807 vehicles being sold per year between 1994 and 2017 (Statistics South Africa, 2017), and the majority of these sales were facilitated by MVRs, usually known as dealerships. For example, in February 2017, out of the total motor vehicle industry sales of 48 113 vehicles for the year, 38 155 units, or 79.3%, represented dealership sales, and 13.3% represented sales derived from the vehicle rental industry, while 4.2% derived from government, and 3.2% were sales from industry corporate fleets (National Association of Automobile Manufacturers of South Africa, 2017).

Despite the prominent role played by MVRs in generating vehicle sales in the South African motor vehicle industry, these organisations are facing challenges, and have to react to turbulent business environmental challenges. However, through the use of innovation strategies, these organisation can address these challenges in a flexible way to remain competitive. This leads to an unknown factor in the motor industry, namely, the service innovation activities being implemented in the retail context, and the influence of these activities on business performance, such as profit maximisation, organisational reputation and organisational competitiveness. In addition, also unknown are the factors that can moderate the relationship between the service innovation practices and business performance. The geographical focus of this study was on MVRs operating in the Gauteng province of South Africa.

This study introduced environmental dynamism and environmental competitiveness as factors that have the potential to moderate the relationship between service innovation practices and business performance. Environmental dynamism is defined as the level of volatility or instability, and the level of uncertainty due to continuous changes, in the business environment in which the organisation is operating. Environmental competitiveness refers to the intensity of competition in the business environment in which the organisation operates, and it is characterised by price wars, tight profit margins and tight cash flows as a result of strong competitors (Prajogo, 2016b:243).

This chapter addresses the following aspects: Firstly, the literature reviews section focuses on the concept of innovation, prior studies on the topic, and the justification

and the rationale for the study. Secondly, the problem statement, and the objectives of the study are outlined. Thirdly, the research questions and the contribution of the study are provided. Fourthly, the research methodology followed in this study is explained, and ethical considerations adhered to in this study are summarised. Lastly, a list of definitions of key concepts relevant to this study is provided.

1.2 LITERATURE CONSULTED ON INNOVATION

This section presents perspectives on the concept of 'innovation' as discussed by various authors, and previous studies on innovation are provided to illustrate the gap filled by this study.

1.2.1 Perspectives on innovation

According to Poo and Dalziel (2016:2), innovation is viewed as a process which is essential for organisations' survival and business performance growth. Organisations use innovation as a mechanism to positively improve business growth, create value and achieve a competitive advantage, and it further enables them to respond to changes in the environment (Yang, Li & Su, 2018:2; Pallas, Böckermann, Goetz & Tecklenburg, 2013:1). A study by Pantano, Priporas, Sorace and Iazzolino (2017:58) pointed out that the retail industry is paying more attention to innovation, as organisations, including retailers, have come to the realisation that the ability to continuously innovate is vital to successful competition. The adoption of innovation aims to achieve improved business performance, specifically during conditions of intense competition, rapidly changing markets, scarce resources, and customer demand for higher quality and better products and services (Damanpour, Walker & Avellaneda, 2009:650). Therefore, this study focused on the outcomes of the implementation of innovation in service organisations, for the purposes of this study, motor vehicle retailers, and aimed to determine the influence of innovations on business performance.

According to Cheng, Yang and Sheu (2014:82), there are various types of innovation, such as product innovation, process innovation, organisational innovation and service innovation, which can be used to achieve optimal business performance in different industries. Ruiz-Molina, Gil-saura and Servera-Francés (2017:134) explain that product innovations are based on the knowledge or technology applied to produce the product/s, whereas process innovations focus on production or the stages required to

combine new materials in order to produce a finished or final product, reducing costs or improving efficiency. Product innovations also involve adding new creative ideas and features to the existing product line offered by the organisation, while process innovation involves changes to how products or services are created and delivered to customers. Organisational innovation involves changes being made within the organisation (Prange & Schlegelmilch, 2018:309; Makhitha, Cant & Theron, 2016:154). Service innovations are defined as new developments in the processes, activities and methods followed in delivering the organisation's existing services (Patrício *et al*., 2018:3; Prajogo & Oke, 2016:976; Snyder *et al*., 2016; Witell *et al*. 2016). The focus of this study is on service innovations in the case of motor vehicle retailers. For the purpose of this study, the preceding definition of service innovations is considered to be relevant.

Christensen (2007) categorised innovation into two types, namely, incremental and disruptive, which differ according to the impact they have on the status quo. Incremental innovation involves changing consumers' behavioural patterns step-by-step incrementally, while disruptive or radical innovations are considered to be the acts of a 'game changer' that alters how things used to be done in an organisation. In this study, the focus is on incremental innovation, where the new services offerings come with innovativeness that aims to satisfy customers' needs and to improve business performance.

Prange and Schlegelmilch (2018:310) alluded that a classification of innovation requires that a distinction should be made between the different types, for example, product, innovation, process innovation, technology innovation, and administrative innovations, considering the impact of each on the organisation and external market. Prange and Schlegelmilch (2018:313) added that technological innovation involves the adoption of new technology to minimise operation costs, while adding value for customers, and it has a direct impact on the administrative processes of the organisation.

For the purposes of this study, organisations are considered to be operating in a complex environment which requires adaptive capabilities in an open system. Therefore, this study differs from existing studies by proposing the following: technological changes can present threats or opportunities to the organisation, for example, the cost of acquiring new technologies may increase the capital costs of the

organisation, which can negatively affect the organisation's operational budgets. However, the Internet and mobile phones, as contemporary tools, can be utilised by organisations to convey messages and may be used by customers to book test drives and complete sales application forms online. This implies that technological changes are viewed as enablers that can be used to facilitate new service innovations. Therefore, this study explores the use of new technology, specifically, the Internet and internal computer systems in implementing service innovation activities or campaigns.

From the retail point of view, Pantano (2014:344) describes retailers as mainly the adopters of new technologies and innovation strategies as a way to enhance their understanding of markets and new trends, rather than as developers of new technologies. Homburg *et al.* (2002) in Ruiz-Molina *et al.* (2017:50) defined innovation as "the degree to which retailers operating in a particular market adopt new ideas for service; and attempt to gather consumer assessment of the number of innovations adopted by organisations, and consistency of the retailer's willingness to innovate over time".

Despite finding no common definition for the concept 'innovation', the two points cited in different definitions are: Firstly, an innovation consists of newness, and secondly, it has the ability to change the organisations' current situation or status quo. Therefore, for the purposes of this study, innovation is defined as: the degree to which retailers operating in the motor vehicle industry successfully create and implement new ideas for servicing customers and delivering products and services; and implement a number of innovations that contribute towards increased business performance.

Sundbo, Sundbo and Henten (2015:259) point out that the development of innovations goes through different phases or steps. The two main steps in developing service innovations include the idea phase which involves a stage where a new idea is conceptualised and refined, and the development phase where the idea is developed into a practically usable form and implemented (for example, being launched in the market if it is a new service or product). The focus of this study is the second phase of innovation, namely, the development and implementation phase.

However, Sundbo *et al*. (2015:260) added that employees play a key role in the first phase, namely, the idea generation phase of innovations, as they serve as the links to the organisation, and they present the new innovative ideas to the management. The new innovation idea is linked to the customers' potential future needs that fulfil the

objective of service innovation. In addition, Sundbo *et al*. (2015: 260) concluded that market-orientation serves as a critical innovation tool when a broad spectrum of organisational efforts are being implemented (for example, innovation teams, sales personnel, ideas generated by employees, and employees can develop tangible new solutions for customers). Therefore, Sundbo *et al*. (2015:260) argued that employees must be in a position to translate customer challenges or situations, and must be able to generate ideas for innovation which can be achieved through an open dialogue with customers.

This study further probed the role of employees during the development and implementation phase of innovations. Specifically, this study explored employees' views on how service innovation activities are developed and implemented within MVRs.

The next section discusses the drivers of innovation in organisations.

1.2.2 Drivers of innovation

A key element that drives continuous innovation in organisations is related to both the micro and external factors that direct strategic direction by allowing organisations to realise their opportunities and overcome challenges. Al-Ansari (2014) pointed out that the key drivers of innovation include the organisations' management, customers, technology and employees. Innovation capabilities such as technologies, networks, learning, processes, strategy and culture are identified as key drivers of innovation (Ferreira, Fernandes, Alves & Raposo, 2015:1395). Pantano (2014:346) maintained that the adoption of innovation in a retail setting is solicited by organisational innovativeness which involves the ability to innovate, and the capacity to adopt an innovation prior to competitors, human capital (employees and managers: their openness to novelty, eagerness to be the first adopters in a specific field and their willingness to employ 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). The study by Sundbo *et al*. (2015:265) found that service innovation requires mutual empathy between employees and customers, and if employees are keen and allocate time towards innovations, these can serve as drivers for innovation. In line with the research objectives of this study, the drivers of service innovation practices were investigated.

The next section discusses the barriers to innovation.

1.2.3 Barriers to innovation

The term ‘barriers’ refers to the obstacles or difficulties that organisations encounter while developing and implementing innovation activities (Tehseen & Sajilan, 2016:9). Tehseen and Sajilan (2016:38) revealed 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, and macro environmental factors, and extreme perceived economic risks are the main barriers to innovation in a retail context. Tehseen and Sajilan (2016:40) added 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.* (2015:265) found that several layers of management can serve as a barrier to innovation in organisations. To this end, the current study explored the possible barriers that can hinder the implementation of service innovation activities.

The next section discusses the relationship between innovation and business performance.

1.2.4 Relationship between innovation and business performance

Various previous studies have confirmed the positive relationship between innovation and business performance (Yen, 2013; Al-Ansari, 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, Sempere-Ripoll & Boronat-Moll, 2014; De Carvalho, Ribeiro, Cirani & Cintra, 2016). According to Al-Ansari, Pervan and Xu (2013:166), 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 (2013:1280) pointed out 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:242) argued that this can be attributed to the fact that effective innovation activities which increase business performance in a particular environment, may not necessarily be as effective in other environments. As a result, this requires managers to make a match between their organisations' innovation activities and 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 (2016:988) added that managers of service organisations should identify and swiftly capitalise on external business opportunities in highly dynamic environmental conditions. The above-mentioned scholars also stated 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 the quick changes in customer needs and preferences (Prajogo & Oke, 2016:988).

The next section discusses how organisations manage innovation.

1.2.5 Managing innovation: financial and non-financial measures

Innovation is considered to be key to organisational competitiveness and survival. Sethibe and Steyn (2017:2) argued that accurate measures are required to measure the achievement of successful innovation performance. Shin, Sung, Choi and Kim (2015:45) agreed and pointed out that numerous approaches for measuring organisational business performance are available. These approaches fall into two main classifications, namely, financial and non-financial business performance measures.

According to Sethibe and Steyn (2017:2), researchers could use accounting-based measures, such as profitability growth or maximisation, sales growth, return on assets (ROA), return on sales (ROS), return on equity (ROE) and/or return on investment (ROI), or stock market measures, to measure the financial aspects of organisational business performance. Non-financial aspects could include the measurement of customer satisfaction and retention, market share, competitiveness, reputation, branding and quality.

Despite the limitations, Sethibe and Steyn (2017:2) argue that financial business performance measures, specifically, profit growth remains one of the main measures of business performance.

This study used both financial and non-financial business performance measures to measure employees' perceptions regarding the influence of service innovation practices or activities on business performance.

The next section provides the justification and rationale for this study.

1.3 RATIONALE AND JUSTIFICATION OF THE STUDY

The justification for this study is based on its capacity to fulfil the evident existing shortcomings in business and innovation literature. The rationale for the study is summarised below.

Firstly, this study adds deeper insights to innovation literature by addressing the research call made by Bellini *et al*. (2016:100) who recommended that future research should focus on the actual implementation of innovation projects in retail organisations, and that the impact on business performance should be measured.

Secondly, this study differs from existing studies as it adopted Complexity Theory and proposed a conceptual model that is original in its explanation of the outcomes of service innovation practices on business performance. The conceptual model introduced two environmental factors, namely, environmental dynamism and environmental competitiveness as contingency factors that have not been sufficiently explored in service innovation literature, by providing evidence of the moderating role of these factors on the relationship between service innovation practices and business performance. In addition, this study provides evidence that supports the relevancy of the Resource-Based View (RBV) theory in developing service innovation practices in retail organisations operating in a developing economy such as in South Africa.

Thirdly, this study addresses a gap in business and innovation literature by focusing on service innovations in service organisations, rather than product innovations, which have been extensively researched in manufacturing organisations. In addition, this study is unique in innovation literature by using both financial and non-financial measures to determine the influence of service innovation practices on business performance. Most of the previous studies were conducted in other parts of the world, particularly in developed economies such as Asia, Australia, China, Europe, France,

Italy, Portugal, the United States of America, and the United Kingdom, while only a few studies have been conducted in developing economies such as in South Africa.

Fourthly, previous studies that measured the effect of innovation on business performance relied heavily on financial measures, rather than non-financial measures (Oke & Prajogo, 2014; Prajogo, 2016a).

Fifthly, existing studies were conducted in other sectors of the economy, such as manufacturing, engineering, construction, and small and medium enterprises (SMEs), rather than exclusively in the motor vehicle retail/dealership sector, and this presented a gap for this study. Although many innovation studies were conducted in manufacturing, few were conducted in the service industries (Rangus & Slavec, 2017; Parris, Bouchet, Welty-Peachey & Arnold, 2016; Khan & Naeem, 2016; Zhang *et al*. 2015; Chang *et al.* 2014; Kindström & Kowalkowski, 2014; Chong & Zhou, 2014; Kindström, 2013; Salunke *et al*. 2013; Thakur & Hale, 2013; Ordanini *et al*. 2013; Janeiro, Proença & Gonçalves, 2013; Pesämaa *et al*., 2013). For example, Rangus and Slavec (2017) investigated the relationship between organisational characteristics and the organisational service innovations and business performance of 421 manufacturing and service organisations. However, the service organisations included in their study excluded organisations operating in the motor vehicle retail sector. Parris *et al*. (2016) explored the challenges experienced in implementing service innovations in the context of athletic departments, and their study uncovered that managing adoption, obtaining commitment (buy-in), developing competency, estimating costs and developing contents were the key challenges.

In their service innovation study, Khan and Naeem (2016) investigated service innovation within the telecommunication service industry by determining the relationships between quality practices, service innovation and business performance. Zhang *et al*. (2015), in contrast, investigated the effect of customer-orientation, supplier collaboration and technological capability on the innovation of service and manufacturing organisations. A study by Kindström and Kowalkowski (2014) investigated the nature and characteristics of the business model elements in product-centric organisations that are required for successful service innovation.

An earlier study by Kindström *et al*. (2013) explored service innovation in a product-centric industry, and the results revealed that successful innovative service delivery is dependent on organisational capabilities. A related study by Thankur and Hale (2013)

investigated the influence of service innovation on the financial and non-financial performance of project-oriented organisations. Conversely, Janeiro *et al*. (2013) investigated service innovation from a different dimension by determining the links between service innovations and universities as sources of information on innovation.

Lastly, from the preceding literature discussion, it is apparent that few studies have been conducted in the service sector, specifically, among motor vehicle retailers. The focus of previous studies has been on the manufacturing industry, retail grocery stores, and fashion retail, but not motor vehicle retail, which creates a gap to be filled by this study.

In a study based on the Australian manufacturing industry, Prajogo (2016a) examined the effect of human capital (HC) on service innovation advantage (SIA) and business performance (BP), and how external environmental factors influence these relationships. In addition, Sethibe and Steyn (2016:2) pointed out that research in organisational performance has to be at the centre of management research, with little research being done with regard to suitable measures to assess the influence of innovation activities. Hence, this study endeavours to fill that gap, specifically in motor vehicle retailing by determining employees' perceptions regarding the influence of service innovation practices or activities on business performance. This study further aimed to determine the influence of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between the service innovation practices and business performance of MVRs in Gauteng, South Africa.

1.4 PROBLEM STATEMENT

Innovation, as an important practice that underpins business growth, has great potential to develop solutions to economic and social challenges. Innovation is critical to the survival of organisations in today's business and market environments (Altamimi, 2014:40). It enables different organisations to survive and prosper by creating market value, generating profits and sustaining a competitive advantage. Despite the importance of innovation, the body of knowledge on innovation has investigated reasons why organisations innovate in other sectors of the economy and in other parts of the world (Phasuk, 2014; Teece, 2010), but has neglected the South African motor vehicle retail sector. As discussed in the previous section, existing research studies on innovation focused mainly on developed market economies (Al-Ansuri, 2014), and focused more on SMEs (Al-Ansari *et al.,* 2013) and manufacturing

organisations, including the motor vehicle manufacturers rather than exclusively focusing on retail organisations, yet MVRs make a significant contribution to innovation and business growth in the motor vehicle industry, as they serve as a link between customers and manufacturers.

It has been recommended that future research should focus on the actual implementation of innovation activities by MVRs, and that the impact on the business performance should be measured (Bellini *et al*., 2016:100). This study contributes to the business and innovation management literature by investigating the implementation of innovation activities, particularly service innovation activities. Prajogo (2016b) examined business environmental factors (environmental dynamism and environmental competitiveness), as factors that affect the different types of innovation (in case of product and process innovations) in delivering business performance in the manufacturing industry. Prajogo (2016b:248) recommended that future studies should focus on a single industry where a homogeneous pattern of innovation would allow the research to attain a clearer understanding and a greater ability to make inferences. Hence, the focus of this study is on a single industry, in this case, the motor vehicle retail industry.

Furthermore, Sethibe and Steyn (2017:12) also recommended that future research should investigate factors that influence the relationship between innovation and business performance. No previous attempts have been made to explore the implementation of innovation, specifically, service innovation practices and the factors that moderate the relationship between these service innovation practices and business performance in the retail context. Hence, this study aimed to fill the gaps in literature by determining the influence of environmental factors on the relationship between service innovation practices and business performance.

This study fills these gaps by examining the implementation of innovation activities, specifically, service innovation practices/activities and their influence on the business performance of MVRs operating in Gauteng, South Africa. This study also aimed to determine the moderating role of environmental factors (environmental dynamism and environmental competitiveness) as moderators of the relationship between the service innovation practices and business performance of MVRs.

Therefore, the research problem which this study aims to address is summarised as follows:

A lack of knowledge in academic literature on the implementation of innovation practices, specifically, service innovation practices and their influence on business performance in retail organisations, and a lack of knowledge regarding the business environmental factors that influence the relationship between service innovation practices and the business performance of retail organisations, in the context of a developing market economy such as in South Africa.

1.5 PURPOSE STATEMENT

The primary purpose of this study is summarised as follows: to gain new insight into the implementation of service innovation practices of Motor Vehicle Retailers (MVRs). Secondly, to determine employees' perceptions regarding the influence of the MVRs' service innovation practices on the business performance (profit growth/ maximisation, organisational competitiveness and organisational reputation). Thirdly, to examine employees' perceptions regarding the influence of environmental dynamism and environmental competitiveness as factors that can moderate the relationship between the service innovation practices and the business performance of the MVRs.

This study adopts the Complexity Theory which holds that organisations can naturally develop effective strategies, structures, and processes and self-adjust to new strategies and environmental changes. The approach advocated in this study is based on the principles and concepts of the Complexity Theory. This implies that employees (as agents) facilitate, guide, and set the boundary conditions within which effective service innovation activities can take place.

In applying Complexity Theory, service innovation practices are developed and implemented as the result of the interaction between the business environment and a variety of people (agents) that strive to achieve improved outcomes (business performance). In addition, this study supports the Complexity Theory by arguing that the complex and dynamic nature of the business environment presents both opportunities and threats. However, for effective sense-making of the information provided by the environment, MVRs are required to evaluate environmental effects differently. The argument presented in this study is that environmental factors (such as environmental dynamism and environmental competitiveness) can promote the development and implementation of service innovation activities, while some of these environmental factors may obstruct the effective implementation of the MVRs' service

innovation activities, and further deter the positive influence that service innovation activities can have on business performance.

To achieve the primary objective of this study, the following secondary objectives were formulated.

1.5.1 Secondary objectives

The specific research objectives of this study are:

1. To gain insight into the implementation of MVRs' service innovation activities,
2. To identify the drivers of service innovation activities of MVRs,
3. To identify the barriers that hinder the implementation of MVRs' service innovation activities/practices.
4. To determine how MVRs measure the influence of service innovation practices on business performance.
5. To determine employees' perceptions regarding the environmental factors that can influence the relationship between MVRs' service innovation practices and business performance.
6. To determine the employees' perceptions regarding the influence of service innovation activities on the business performance (profit growth/maximisation, organisational competitiveness, organisational reputation) of MVRs.
7. To determine employees' perceptions regarding the moderating role of environmental dynamism on the relationship between MVRs' service innovation activities and business performance (profit growth/maximisation, organisational competitiveness, organisational reputation).
8. To determine employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between MVRs' service innovation activities and business performance (profit growth/maximisation, organisational competitiveness, organisational reputation).

1.5.2 Research questions

Based on the secondary research objectives listed above, the specific research questions for this study have been formulated as follows:

1. What service innovation activities are implemented by MVRs?
2. What are the drivers (internal and external) of the MVRs' service innovation practices?

3. What are the barriers that hinder the implementation of MVRs' service innovation practices?
4. How do MVRs measure the influence of service innovation practices on their business performance?
5. What are the employees' perceptions regarding the environmental factors that can influence the relationship between the MVRs' service innovation practices and business performance?
6. What are employees' perceptions regarding the influence of the MVRs' service innovation practices on their business performance (both financial and non-financial performance)?
7. What are employees' perceptions regarding the moderating role of environmental dynamism on the relationship between MVRs' service innovation activities and business performance (profit growth, competitiveness, organisational reputation)?
8. What are employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between the MVRs' service innovation activities and business performance (profit growth, competitiveness, organisational reputation)?

The hypotheses derived from the research objectives of this study are outlined below.

1.5.3 Hypotheses

The hypotheses to be tested in this study which are based on the questions in the preceding section are formulated as follows:

H1: Service innovation practices have a significant positive influence on the financial performance of MVRs.

H2: Service innovation practices have a significant positive influence on the business performance (organisational competitiveness) of MVRs.

H3: Service innovation practices have a positive influence on MVRs' organisational reputation.

H4: Environmental competitiveness moderates the relationship between service innovation practices and business performance, such that the higher the environmental competitiveness, the weaker the relationship between the MVRs' service innovation practices and business performance.

H5: Environmental dynamism moderates the relationship between service innovation practices and business performance, such that the higher the environmental dynamism, the stronger the relationship between the MVRs' service innovation and business performance.

Table 1.1 provides a summary of the hypotheses of this study and illustrates their respective links to the research questions.

Table 1.1: Summary of research questions and hypotheses for the quantitative phase

Research question	Hypotheses
What are the employees' perceptions regarding the influence of service innovation practices on the business performance of MVRs?	H1 Service innovation practices have a significant positive influence on the financial performance of MVRs (profit growth). H2 Service innovation practices have a significant positive influence on the business performance (organisational competitiveness). H3 Service innovation practices of MVRs have a positive influence on the MVRs' organisational reputation.
Do business environmental factors (environmental dynamism and environmental competitiveness) have a moderating influence on the relationship between service innovation practices and business performance?	H4 Environmental competitiveness moderates the relationship between service innovation practices and business performance, such that the higher the environmental competitiveness, the weaker the relationship between the MVRs' service innovation practices and business performance. H5 Environmental dynamism moderates the relationship between service innovation practices and business performance, such that the higher the environmental dynamism, the stronger the relationship between the MVRs' service innovation and business performance.

Source: Author's own compilation

Table 1.1 demonstrates that the two research questions are addressed by five hypotheses derived from literature. The literature leading to the hypotheses is discussed in detail in Chapter 4 of this study.

Summary of variables

Leedy and Ormrod (2014:40) indicated that researchers identify variables that are the focus of the investigation in a study. In the current study, there are six research variables, namely, service innovation (practices), business performance (financial performance profit growth), competitiveness, and organisational reputation), and environmental factors (environmental competitiveness and environmental dynamism). In addressing Research question 2, service innovation practices are considered to be a predictor variable, and business performance (financial performance, organisational competitiveness, and organisational reputation) are seen as dependent variables. Environmental competitiveness and environmental dynamism are considered to be moderating variables.

1.6 CONTRIBUTIONS OF THIS STUDY

The contributions of this study are four-fold. Firstly, this study scientifically provides a new perspective, as the focus is on the implementation of innovation strategy, specifically, service innovation practices in a retail context, rather than focusing on manufacturing industries where product innovation has been the primary focus in previous studies (Prajogo, 2016a; Prajogo, 2016b; Kindström & Kowalkowski, 2014; Al-Ansari *et al.,* 2013).

Secondly, this study makes a scientific contribution by employing a different approach to the business environment, as previous studies on innovation have considered the business environment as a driver of innovation strategies, while ignoring the moderating role that environmental factors can have on the relationship between innovation and business performance (for example, see Prajogo & McDerott, 2014; Jayaram, Oke & Prajogo, 2014).

Thirdly, the findings of this study create a larger awareness among MVRs regarding the value that sound service innovation practices hold for an organisation by guiding researchers and managers to promote and implement service innovation practices which encourage internal creativity and the effective allocation of resources to areas where they are needed most to realise high business performance and a better understanding of the customers' needs and competitors' actions.

Fourthly, recommendations are made to enable managers of MVRs to develop suitable strategies and service innovation initiatives that will address factors which are important for the achievement of effective service innovation practices. It is therefore

argued that this study contributes to the theoretical and empirical knowledge on service innovation strategy in a retail context, particularly, in motor vehicle retailing.

1.7 RESEARCH METHODOLOGY

This section provides a brief discussion of the research methodology employed in the study.

1.7.1 Research design

Creswell and Plano-Clarke (2011:53) defined the research design as the procedures for collecting, analysing, interpreting, and reporting data in research studies. In this study, a mixed-method research design was utilised, combining both qualitative and quantitative research designs. Creswell and Plano-Clarke (2011:4) explain that mixed-methods research is the type of research in which a researcher combines components of both the qualitative and quantitative research approaches in the data collection and data analysis to gain an in-depth understanding of research problems. In addition, this study was exploratory in nature, with a sequential timing, where qualitative data was collected and analysed first.

Building from the exploratory results, a second quantitative phase was conducted to test the qualitative research findings. According to Creswell and Plano-Clarke (2011:71), quantitative research can be conducted to test or generalise the qualitative research findings. In addition, the research questions of this study were addressed by following the case study approach. Hence, the use of the case study approach was appropriate as it enabled the researcher to gain an in-depth understanding of a complex issue by scrutinising the phenomenon, in this case the actual implementation of service innovation. Yin (2014) defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used such as interviews and observations.

In addition, an interactive level occurs when a direct interaction exists between the quantitative and qualitative phases of the study. Through this direct interaction, the two methods are mixed before the final interpretation. This interaction can occur at different points in the research process and in many different ways. For example, the design and conduct of one phase may depend on the results from the other phase of the study (Creswell & Plano-Clarke, 2011:65). Furthermore, descriptors of the

research design such as primary data, secondary data, descriptive research and single-cross-sectional design are described to make research design meaningful. The definition of each descriptor and motivation as to why these descriptors were applicable to the study, are discussed below.

1.7.1.1 Primary data

Primary data refers to the data a researcher collects to address a specific research problem and it involves raw data without interpretation by a second party (Leedy & Ormrod, 2014:80; Cooper & Schindler, 2011:100). In this study, the primary data was collected from motor vehicle retailers operating in the Gauteng province using in-depth interviews to explore the service innovation practices being implemented. In addition, self-administered questionnaires were used to determine the employees' perceptions regarding the influence of the MVRs' service innovation practices on their business performance. Lastly, self-administered questionnaires were used to determine the employees' perceptions regarding the factors that influence the relationship between MVRs' service innovation practices and their business performance.

1.7.1.2 Secondary data

Secondary data is the information that has been collected for purposes other than the research problem at hand (Leedy & Ormrod, 2014:80). The use of secondary data has the advantage that it provides the necessary background information to the particular problem or research study at hand (Malhotra, 2010:132; Kumar, 2005:85). According to Malhotra (2010:138), secondary data can be obtained from internal and external sources. Internal sources refers to the information available within the organisation, for example, company records, annual reports and sales records, while with external sources, the researcher gathers information from outside sources, such as websites, libraries, professional marketing research institutions, trade associations, commercial publishers, non-profit organisations and universities (Malhotra, 2010:140).

In this study, secondary data was collected from accredited journals and textbooks to obtain in-depth understanding of innovation. Other secondary sources, such as the Internet and organisations' websites, were also consulted.

1.7.1.3 Descriptive research

Descriptive research is a type of a research that aims to describe something, often by creating a group of problems, people or events. It is typically based on large

representative samples and requires a clear specification of who will participate in the study, what type of information should be obtained from the participants, when and where will the data be obtained, why it is necessary to collect the data and the method to be used to collect the data (Malhotra, 2010:106-107). Descriptive research aims to discover the relationships between variables (Cooper & Schindler, 2011:149).

For the purposes of this study, the implementation of MVRs' service innovation practices was explored to gain more in-depth understanding. The findings were then used to make recommendations to guide in managers and employees in implementing innovation activities and to provide recommendations for future research.

1.7.1.4 Single-cross-sectional design

Single-cross-sectional design requires that only one sample of participants from the target population is selected, and once the information is obtained from the participants, the same participants cannot be re-used for the same study (Malhotra, 2010:108). Therefore, in this study, the selected participants from MVRs were only used once to participate in the study.

1.7.2 Description of the methodology for the qualitative phase

Qualitative data provides a detailed understanding of a research problem; therefore, this qualitative understanding is generated through studying a few individuals to discover perspectives in great depth (Leedy & Ormrod, 2014:141). Therefore, in this study, managers and senior marketing staff involved in planning and implementation of service innovation activities of MVRs were interviewed until the data saturation point was reached to achieve an in-depth understanding of the implementation of service innovation practices, and to identify environmental factors that affect the relationship between service innovation practices and business performance.

1.7.2.1 Target population and sample method for the qualitative phase

Purposive sampling was the sampling method used in this study. Tustin *et al*. (2005:346) explain that the purposive sampling method requires that participants be selected because of some defining characteristics that make them the holders of particular data needed for the study. The population can be defined as the total group of persons or entities from whom information is required (Tustin *et al*. 2005:337). The population for this study included the local motor vehicle retailers in South Africa. The

unit of analysis in this study was limited to senior managers and marketing employees of local MVRs involved in the planning and implementation of innovation strategies.

Firstly, the following criteria were used in selecting MVRs to participate in this study:

- Selling new or used vehicles;
- The organisation with a minimum of five years existence;
- Registered and accredited by Retail Motor Industry (RMI).

Secondly, the following criteria were used in selecting participants within MVRs:

- Three years working experience at car dealership level or MVRs;
- Managers and senior employees involved in the planning and implementation of service innovation activities of MVRs.

1.7.2.2 Sample size

According to Brynard and Hanekom (2006:56), a qualitative study may use a small sample and there are few rules for determining the sample size. Ten or more respondents may be interviewed until the saturation point is reached. In this study, 11 MVRs were targeted, and ten managers involved in the planning and implementation of service innovation activities from different MVRs served as participants until saturation point was reached.

1.7.2.3 Sample frame

A sample frame refers to a list or directions used to identify the target population. Examples of sample frames include the telephone directory, an association's directory, listing the organisation in the industry, a mailing list purchased from a commercial organisation, a city directory, or a map (Malhotra, 2010:373).

For this study, the Retail Motor Industry (RMI) member list was used as a sample frame to select accredited dealerships to participate in the study. The RMI member list contains the contact details of accredited MVRs operating in nine provinces of South Africa. The MVRs or dealerships operating within the borders of the Gauteng province, South Africa, were contacted. The researcher used the email addresses and telephone numbers obtained from the RMI member list to contact motor vehicle retailers or dealerships to obtain the contact details of senior managers, and marketing employees (involved in the implementation of service innovation activities). Based on the contact details provided by the dealership managers or principals, the participants

were contacted through email and telephone to request their consent to participate in the study, and in-depth interviews were scheduled.

1.7.2.4 Data-collection method for the qualitative phase

In this qualitative phase of the study, semi-structured in-depth interviews were used by the researcher to collect primary data. An in-depth interview is defined as an interaction between an individual interviewer and a single participant (Malhotra, 2010:185-186). In addition, semi-structured in-depth interviews allow the interviewer to uncover underlying motivations and probe on a particular topic. Probing is important in obtaining meaningful responses (Malhotra, 2010:185-186). In-depth interviews that are conducted face-to-face have the advantage of allowing the researcher to observe and record non-verbal and verbal behaviour. Based on participants' consent, the in-depth interviews were audio-recorded prior to transcription. Other advantages of using in-depth interviews are that they attribute the responses directly to the respondent and they result in the free exchange of information because there is no social pressure to conform to group responses (Malhotra, 2010:188).

This study used in-depth interviews to explore or understand the actual implementation of service innovation practices of MVRs. In addition, the guidelines for in-depth interviews were followed. Detailed guidelines in conducting in-depth interviews are discussed in detail in Chapter 5 of this study.

1.7.2.5 Data analysis in the qualitative phase

Leedy and Ormrod (2014:150) explain that content analysis involves a detailed and systematic examination of contents for the purpose of identifying patterns and themes. Van Rensburg and Smit (2009:105) added that content analysis is often described as a quantitative analysis of qualitative data, and that it involves counting the frequencies and sequencing of particular words, phrases or concepts in order to identify themes or keywords.

In the current 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. In this study, 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.

Kitto, Chesters and Grbich (2008:243) highlight that the relevance and credibility of the data collected are necessary in qualitative research. Therefore, in this study to ensure credibility, the transcripts were read more than once to check if they were consistent with the recordings to ensure that the data recorded during the in-depth interviews was correct. In addition, to ensure relevance, the data collected was analysed to link to the key themes, in this case, the service innovation activities and implementation thereof.

1.7.3 Description of the methodology for the quantitative phase

Creswell and Plano-Clarke (2011:8) explain that quantitative data provides a more general understanding of a problem; therefore, this quantitative understanding arises from examining a large number of people and assessing their responses to questions. Therefore, in this study, participants were provided with self-administered questionnaires to share their perceptions regarding the relationship between the MVRs' service innovation practices and their business performance.

1.7.3.1 Target population and sample method for quantitative phase

Purposive sampling was used as the sampling method for this phase of the study. This sampling method means that participants are selected because of some defining characteristics that make them the holders of the data needed for the study (Tustin, 2005:346). The population can be defined as the total group of persons or entities from whom information is required (Tustin, 2005:337). The population for this study included the local motor vehicle retailers operating in the Gauteng province. The unit of analysis in this study was limited to customer-contact employees of MVRs involved in the implementation of service innovation activities.

1.7.3.2 Sample size

According to Cooper and Schindler (2011:374), a larger sample is compulsory in a quantitative study when using descriptive surveys. In addition, using larger samples enables researchers to generalise the findings. In this study, a sample size of 300 respondents was targeted during the quantitative phase to determine employees' perceptions (customer-contact employees involved in the implementation of service innovation activities) regarding the influence of service innovation practices on business performance.

A sample size of 300 is generally considered to be sufficient in a quantitative study, and in the studies that are mentioned below, sample sizes below 300 were utilised: Bigliardi (2013) used a sample size of 98 measuring the effect of innovation on financial performance; Prajogo (2016b) investigated the moderating roles of dynamics and competitive environments in service sector organisations using a 228 sample size; Al-Ansari *et al.* (2013) determined the impact of innovation on business performance using a 208 sample size; and Suckley and Turner (2016) developed a relational performance model for developing innovation and long-term orientation in retail franchise organisations using a sample size of 200.

Therefore, taking into account the sample sizes used in the preceding studies, a sample size of 300 in this study was considered to be sufficient to address the research objectives.

1.7.3.3 Data-collection method for the quantitative phase

Self-administered questionnaires were used to collect data about employees' perceptions regarding the influence of the MVRs' service innovation practices on their business performance. In addition, data was collected about the mediating role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between the MVRs' service innovation practices and their business performance.

The self-administered questionnaires were completed by employees involved in the implementation of service innovation activities or practices of MVRs, at various times of the day, and the selection of participants was on the basis of their availability. The self-administered questionnaires used in this study were pretested on 30 participants to detect and avoid problems. According to Malhotra (2010:354), the pretesting of a questionnaire refers to the testing of the questionnaire on a small sample to detect and eliminate potential problems. The self-administered questionnaire used in the data-collection process is attached (Appendix C) and it is discussed in detail in Chapter 5 of this study.

1.7.3.4 Data collection instrument

The measuring instruments used in the quantitative phase were self-administered structured questionnaires. A self-administered questionnaire was suitable for this study as the respondents were able to complete the questionnaire on their own. The advantage of a self-administered questionnaire is that it allows respondents to

complete the questionnaires themselves (Tustin *et al.,* 2005:184). Cooper and Schindler (2008:711) point out that the advantage of self-administered surveys is that a questionnaire can be hand-delivered, mailed, faxed or computer-delivered to respondents.

The self-administered structured questionnaire included some items adapted from previously tested measuring instruments, for example, innovation activities/practices and business performance instruments from Prajogo (2016:246), Al-Ansari *et al.* (2013:170), Bigliardi (2013:249), Al-Ansari (2014:350) and Chun (2005:102) were used. The question statements used to examine the moderating role of environmental dynamism and environmental competitiveness were adapted from Prajogo (2016b:245). In addition, interval scales were used in this study to measure constructs. An interval scale is defined as a scale in which numbers are used to rate objects (Malhotra, 2010:286).

In line with the research objectives of this study, in order to determine the employees' perceptions regarding the influence of service innovation practices to deliver business performance and the moderating role of environmental factors (environmental dynamism and environmental competitiveness) on this relationship, a five-point Likert scale of 1 to 5, where 1 is "Strongly disagree" and 5 is "Strongly agree" were utilised.

1.7.3.5 Data analysis for the quantitative phase

The quantitative data was analysed considering the levels of measurements used in the questionnaire which were nominal and interval scales. A nominal scale is defined as a figurative labelling scheme in which numbers serve as labels or tags for identifying objects. Each number is assigned to only one object (Malhotra, 2010:284). According to Malhotra (2010:285), the descriptive statistics reported for the nominal scale is based on frequency distribution, these include percentages and mode. With frequency distribution, one variable is considered at a time with the objective of obtaining a count of the number of responses associated with different values of the variables. In using frequency distribution, the relative occurrences of count of a variable are then expressed in percentages (Malhotra, 2010:484). The mode is defined as the value that occurs the most in a set of data (Malhotra, 2010:485).

An interval scale is a scale in which the numbers are used to rate objects (Malhotra, 2010:286). The descriptive statistics to be reported for the interval scale are range, mean, and standard deviation (Malhotra, 2010:285). According to Malhotra

(2010:486), the mean is the average value obtained by summing all the elements in a set and dividing it by the number of elements. The range is the difference between the largest and the smallest values of the distribution. Standard deviation is the square root of the variance and is expressed in the same units as the data, rather than squared units.

The statistical software package SPSS Version 25 was used for the analysis of the primary data. The following analyses were done:

- Means of differences between the applications of the service innovation practices/activities implemented by the MVRs were calculated.
- Standard deviations for individual items on the questionnaire were calculated.
- Confirmatory factor analysis (CFA) was utilised to determine the validity of the questionnaire as a measuring instrument. Cronbach's alpha values were applied to determine the reliability of the questionnaire as a measurement instrument. The calculation of Cronbach's alpha values was done for each construct.
- Structural equation modelling (SEM) statistical technique was used in this study, because this technique is well recognised as the most important statistical method for evaluating a series of simultaneous hypotheses about the impacts of latent variables and manifest variables on other variables, taking the measurement errors into account (Lee, 2007:1). Hair, Black, Babin and Anderson (2010: 634) describe SEM as a multivariate statistical technique that combines aspects of Exploratory factor analysis (EFA), path analysis and multiple regression to estimate a series of interrelated dependence relationships simultaneously (Hair *et al*., 2010: 634). SEM is capable of assessing relationships comprehensively and is therefore suitable for theory testing, which focuses more on a systematic and holistic view of research problems than on theory development (Hair *et al.*, 2010: 635).

1.8 ETHICAL CONSIDERATIONS

The rights, values and interests of the respondents were respected in conducting research. The relevant dealerships or MVRs were contacted telephonically and electronically by email to propose their participation in the study. According to Tustin, (2005:149), researchers can send an advance letter to the senior managers of motor vehicle dealerships, and once permission is granted, prospective respondents within vehicle retailers can be contacted (to inform them about the survey).

Once consent was obtained, the self-administered questionnaires were delivered to the selected respondents for completion. The purpose of the study was explained to the respondents and more emphasis was placed on the issue of confidentiality. The respondents were requested to sign the consent form to assure them that the surveys would be handled with strict confidentiality, and the data collected was kept in password-protected text. The consent forms signed by respondents are attached and explained in Chapter 5 of this study.

The researcher ensured that the study is at a minimum ethical in terms of South African societal norms and endeavoured not to offend the intended or identified respondents and international readers. In addition, the research ethical clearance was applied for from the Research Ethics Committee of the University of Pretoria to ensure that the researchers adhere to the research code of ethics.

In addition, the following ethical considerations were adhered to in relation to the University of Pretoria, Research Ethics Review Committee's application form by ensuring the following:

- Computer-based records are only available to the researcher and the study leader through the use of access privileges and passwords;
- Personal identifiers were removed from research-related information;
- The final manuscript will be published in the form of a thesis.

1.9 DELIMITATIONS OF THE STUDY

The delimitations relevant to the current study are listed below.

1.9.1 Geographic delimitation

This study covered only organisations (MVRs) operating in Gauteng, South Africa, due to the constraints of a limited research budget.

1.9.2 Industry delimitation

This study investigated the actual implementation of service innovation activities or practices, and employees' perceptions (managers and customer-contact employees) regarding the influence of MVRs' service innovation on their business performance only within the motor vehicle industry.

1.10 LAYOUT OF THE STUDY

Chapter 1: This chapter provided the introduction to the study, including a brief literature review, problem statement, research objectives, a summary of the methodology that was followed, and ethical considerations observed in this study.

Chapter 2: This chapter provides an overview of the body of knowledge on innovation, classifications of innovation, and key business and innovation concepts and innovation management literature relevant to this study. This chapter further reviews models or theories, and the market, macro-environment (external factors) and the micro-environment (internal factors) that are relevant to innovation.

Chapter 3: This chapter examines the service innovation in detail. This chapter provides an overview of the concepts of service, service innovation, evolution of service innovation, types of service innovation, and innovation management literature relevant to the current study. This chapter further reviews previous studies on service innovation.

Chapter 4: This chapter discusses variables applicable to this study that led to the development of the literature conceptual model with links to research questions and the hypotheses tested in this study.

Chapter 5: This chapter presents the research design and methodology, and the justifications for the research paradigm and methodology followed in this study. This chapter also presents the hypothesised conceptual model and its link in developing the data collection instrument. This chapter further demonstrates how the data was analysed and provides the ethical considerations observed in this study.

Chapter 6: This chapter presents the research findings and the interpretation of the results in line with the research objectives and the hypotheses tested in this study.

Chapter 7: This chapter provides a summary of the results, discussions and conclusions drawn regarding the extent to which the study addressed the research objectives. This chapter further outlines the academic contributions and managerial implications of the study to the existing knowledge and industry practice. The limitations of the study and suggestions for future research are provided.

1.11 DEFINITION OF KEY CONCEPTS

Key concepts related to the study are listed below.

Innovation	**Innovation** is defined as the degree to which retailers operating in a given market adopt new ideas for service; and they attempt to gather consumer assessment of the number of innovations adopted, the moment of adoption and consistency of the retailer's willingness to innovate over time (Ruiz-Molina, 2017:50).
Incremental innovation	**Incremental innovation** is about changing consumer behaviour step by step (Christensen, 2007).
Radical innovation	**Radical innovation** refers to disruptive innovation that acts as a "game changer" that changes how things were done (Christensen, 2007). Dobni Klassen and Nelson (2015:5) defined disruptive or radical innovation as a rare innovation which occurs every 10-20 years that creates entirely new industries.
Service innovation	**Service innovation** is defined as the implementation of new developments in processes, activities and methods followed in delivering the organisation's existing services (Prajogo & Oke, 2016:976).
Process innovation	**Process innovation** involves changes to how products or services are created and delivered to customers, and organisational innovation involves new changes that are made within the organisation (Makhitha *et al.*, 2016:154). Karlsson and Tavassoli (2016:1485) defined process innovation as the implementation of a new or significantly improved production or delivery method of product offerings to customers which includes significant changes in techniques, equipment and /or software with the objective to decrease unit costs of production or delivery, to increase/improve product and delivery quality.

Organisational/business performance	**Organisational/business performance** are conceptualised business performances as the measures that determines how well an organisation manages its internal resources and adapts its external business environments into financial performance which can be in the form increased sales, profit, stock market shares, return on equity, and non-financial performance measures such as reputation, competitiveness, branding and quality (Al-Ansari *et al.,* 2013:166). According to Lakhal (2014:42), organisational performance refers to how well an organisation achieves its market-oriented objectives as well as its financial goals.
Profit maximisation	**Profit maximisation** refers to improvement in financial performance as a result of increased sales returns derived from innovation activities (Sethibe & Steyn, 2017:2)
Organisational reputation	**Organisational reputation** refers to the reputation associated with their organisation's name for the range of products and services marketed to customers of products that were marketed across the categories (Cretu & Brodie, 2007:231; Tracey & Phillips, 2016:743). According to Boivie, Graffin and Gentry (2016:192), organisational reputation is attribute specific, including how the organisation treats stakeholders, and overall product or service quality in the industry.
Organisational competitiveness	**Organisational competitiveness** refers the organisation's efforts in striving for superiority in a particular quality (Ferreira, Fernandes & Ratten, 2017:77). According to Newall (1992), in this context competitiveness includes the production of ever more goods and services of better quality continuously alongside services that are retailed successfully to internal and external consumers (Ferreira *et al.*, 2017:77).
Environmental dynamism	**Environmental dynamism** refers to the level of volatility or instability and uncertainty due to continuous changes in a

	business environment in which the organisation operates (Prajogo, 2016b:243).
Environmental competitiveness	**Environmental competitiveness** refers to the intensity of competition in the business environment in which the organisation operates which is characterised by price wars, tight profit margins and tight cash flows brought by strong competitors (Prajogo, 2016b:244).

CHAPTER 2:
OVERVIEW OF THE BODY OF KNOWLEDGE ON INNOVATION

2.1 INTRODUCTION

This chapter provides an overview of the core constructs of innovation, drivers of innovation, types of innovation, possible barriers to innovation in organisations, and key business and innovation concepts. This chapter also presents an overview of the body of knowledge on innovation management that is relevant to this study. Thereafter follows a discussion of the measures of business performance associated with organisations' innovation activities, and the interaction between the business environment and service organisations, specifically, motor vehicle retailers. This chapter further reviews innovation literature and theories related to innovation with the emphasis on the Resource-Based View, Contingency Theory and Complexity Theory due to their relevance to the current study.

2.2 THEORETICAL BACKGROUND TO INNOVATION

This section commences by reviewing the relevant literature on the definitions of the term 'innovation', the classifications of innovation, and the types of innovation.

2.2.1 Definitions of innovation

According to Poo and Dalziel (2016:2), innovation is viewed as a critical process in the organisation's subsistence and growth. Organisations use innovation as a mechanism to positively enhance business growth, create value, achieve competitive advantage, and to react towards changes in the business environment (Pallas *et al.*, 2013:1). Additionally, Pantano (2014:345) pointed out that innovation is receiving more attention in the retail sector as retailers' are required to innovate continuously in order to compete successfully. Dobni *et al.* (2015:4) also postulated that innovation contributes towards the introduction of new services or products and the creation of new value to stakeholders (customers). Organisations require innovation to incessantly satisfy customers' changing preferences or to out-play competitors in the market.

Innovation is studied and applied differently in different industries. However, the bottom-line is that the organisations that innovate tend to be industry-leaders, as innovation assists in continuously creating new customer value, and it redefines the competitive landscape in which organisations operate. Innovation enables organisations to improve their market performance in various ways through the identification of technological possibilities to improve their product and service quality, to deliver a superior value product to the customer (Hogan & Coote, 2014:1615; Liu & Atuahene-Gima, 2018:7).

Prajogo (2016b:241) explained that innovation is about doing something differently in the process of production or rendering a service to customers and is used as a competitive strategy. Rajapathirana and Hui (2018:45) alluded that innovation can only be developed and implemented in organisations with the capacity to innovate, which makes innovation capacity the most valuable resource. Rajapathirana and Hui (2018:45) explained that the innovation capacity includes the capacity to introduce new product or service offerings swiftly to the market, to adopt new technological systems, and to combine a variety of the organisations' resources, assets and other capabilities. According to Pérez-Luño, Bojica and Golapakrishnan (2019:95), cross-functional integration is crucial in promoting innovation in organisations in order to further enhance effective communication, reduce conflicts, encourage creativity, and improve business performance.

Schumpeter (1934:66) viewed innovation as the integration of new and existing knowledge, which needs to be clearly differentiated from new inventions. Schumpeter argued that it is necessary to differentiate the development of a new service offering (invention) from the process of service commercialisation and the evaluation of the results thereof. The above-mentioned author further explained that invention refers to the introduction of any new product, service, process, or idea, and that the invention must be introduced in the market and should make a substantial profit before it can be considered an innovation, because an invention in itself does not have intrinsic value.

Schumpeter also viewed innovation as the doing of business activities outside the normal routine through the implementation of price changes, the introduction of new products, variations in product quality, and the adaptation of new technology. Metcalfe (2012: 26) added that Schumpeter's view on innovation can be achieved when

organisations stay ahead of rivals, who may probably have been dominant in the long run, by implementing innovation activities.

Gummesson (2014:2744), however, argued that the process of commercialisation and inventions add more value to organisations and customers than any new invention. Consequently, this justifies the necessity to differentiate between inventions and innovations. Skålén, Gummerus, Koskull and Magnusson (2014:140) argued that the process of developing new service offerings need not be distinguished from the value-creation and implementation of new services, as the two processes should be viewed as different phases of innovation.

Some authors viewed innovation through the perspective of other lenses. Ferreira, Raposo, and Fernandes (2013:734) defined innovation as the method through which organisations develop and launch new service offerings or products, processes and systems that are essential in meeting marketplace changes, technological advancements and changes in the models of competition. According to Henrike and Schultz (2014:330), innovation includes the development of new solutions, which can either be emergent in nature, or incremental adaptations, or completely new solutions through new products or new service offerings, or processes that can significantly benefit the stakeholders (customers). Brown and Osborne (2013:188) defined innovation as the process of intentionally introducing and applying an organisation with ideas, processes, products or procedures, new to the relevant unit of adoption, designed to benefit customers, the organisation or the society at large.

Although there is no consensus regarding the definition of innovation, the two points that are generally cited in definitions of the concept are: Firstly, an innovation consists of newness, and secondly, it has the ability to change the current status quo within the organisation and in the marketplace. In the current study, innovation is defined as follows: the degree to which organisations (including retailers operating in the motor vehicle industry) successfully create and implement new ideas and processes for servicing customers and delivering products and services; and implement a number of new ideas that contribute towards increased customer value and increased business performance (Henrike & Schultz, 2014:330; Brown & Osborne, 2013:188; Ferreira *et al*., 2013:734).

Sundbo *et al.* (2015:259) explained that there are certain steps that are followed in the development of innovations (including service innovations). The two main steps in

service innovation include the idea generation phase during which a new idea is generated and refined, and this is followed by the development phase during which the idea is developed into a practical working format and implemented (for example, launching a new service offering or product in a particular market). The employees play the crucial role in both the idea generation phase and the implementation of innovation phase within organisations. These employees who serve as the links between the organisation and customers, can get new service ideas through their interaction with customers, and then present these new ideas to the management. These employees serve as the contact points for customers and they get information regarding customers' potential future needs, the fulfilment of which is the aim of service and then contributes towards co-innovation.

Being market-orientated can serve as an innovation instrument when a variety of organisational efforts are being implemented (for example, innovation teams, sales staff, employees' ideas, and employees can develop new solutions for customers). Employees are required to develop their ability to translate customer preferences and need situations, and to generate ideas for innovation from this understanding. Baporikar (2015:250) stated that the inability to understand consumers' preferences and needs can lead to the non-adoption of new innovations and a consequent waste of resources.

This implies that an open dialogue is necessary between the organisation and their customers in order to generate ideas for innovation that can help in implementing new solutions to customers. From the service business context, this means that the customer-contact employees of MVRs should have continuous interactions with customers in order to identify areas that need to be adapted and improved to deliver enhanced value to customers.

2.2.2 Drivers of innovation

The main elements that drive organisations towards continuous innovations are related to both micro and macroeconomic forces that influence their strategic decisions by allowing organisations identify the opportunities and overcome challenges. Al-Ansari (2014) pointed out that the key drivers of innovation include the organisations' management, customers, technology and employees. Innovation capabilities, such as technologies, networks, learning, processes, strategy and culture are identified as key drivers of innovation (Ferreira *et al*., 2015:1395). Pantano (2014:346) alluded that the

adoption of innovation in a retail setting is solicited by organisational innovativeness (which involves the ability to innovate and to adopt an innovation before competitors do), human capital (employees and managers, with regard to openness towards 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).

Sundbo *et al.* (2015:265) found that for service innovation to exist, organisations need mutual empathy between employees and customers, and that if employees are willing and invest time towards innovation, these can serve as drivers for innovation. However, innovation within the organisation requires that potential innovation opportunities should be identified.

Guo, Su and Ahlstrom (2016:534) argued that innovation can be initiated and implemented by encouraging experimentation with new methods of doing business and permitting employees to take initiatives and risks. Gummesson (2019:4) indicated that employees' knowledge, skills and abilities are critical in shaping their perspectives and delivering customer value and improving business returns, particularly, when organisations operate in a dynamic and competitive environment.

The study by Al-Ansari *et al*. (2013) confirmed that the major barriers to innovation are economic factors such as inflation and economic risks, limited financial budgets and limited capital resources, customers, operation costs, legislation and regulation policies and the market dynamics. The study by Dobni and Klassen (2015) identified resistance to change, internal organisational processes, leadership, funding and resources, the external environment, and customer adoption as the common challenges to introducing, implementing and sustaining innovation in organisations. Despite the mentioned barriers of innovation, Dobni and Klassen (2015:110) pointed out that there is a collection of activities that have been proven to work well as the key drivers that lead to the successful implementation of innovations in organisations, namely, leadership for innovation, knowledge management, organisational structures and processes, and aligned performance management.

Tsai and Yang (2013) revealed that the success of innovation as a competitive strategy that enhances business performance is influenced by the business

environment in which the organisation operates. Prajogo (2016b:242) argued that this is due to the fact that the innovation activities which are effective in a specific environment may not necessarily be effective in the same manner in other environments.

Prajogo's argument is that managers are required to make the match between the organisations' innovation activities and its environmental conditions, such as environmental dynamism and environmental competitiveness, as these factors in the external environment can moderate the relationship between organisations' innovation activities and their business performance. Prajogo and Oke (2016:988) added that managers in service organisations should identify and capitalise swiftly on external opportunities discovered in dynamic business environments. They should offer suitable and new service offerings that capture niche market segments and satisfy the changing customer preferences in such environments, and further create suitable innovation capabilities in order to address the rapid changes in customer preferences in the various business environments.

In the context of this study, the business environment will not be treated as an antecedents of innovation strategies, the focus will be on how service innovation activities are developed and implemented, and employees' perceptions regarding the influence of service innovation practices on business performance, considering the competitiveness and dynamism in which organisations operate. This implies that the same view of the business environment as described by Prajogo (2016b) will be followed, however, focusing on the influence of service innovations on business performance, rather than product innovation. In addition, this study measures the employees' perceptions regarding the influence of service innovation practices on both financial and non-financial business performance.

The next section discusses the phases of innovation.

2.2.3 Phases of innovation: Innovation life cycle

According to Abernathy and Utterback (1987), as cited in Makhitha *et al.* (2016:159), the innovation cycle consists of three stages, namely:

- **The fluid stage:** during this stage competition is not intense and competitive advantage is derived from differentiation, and the bargaining power of suppliers is kept to a minimum as a result of lack of specialised resources.

- **The transition or implementation stage**: during this stage the technological applications of innovation are visible and innovation is more likely to be adopted by consumers and market.
- The third stage is a **specific stage** which focuses on highly specialised equipment rather than highly skilled labour, and the bargaining power of suppliers and customers will be high.

Makhitha *et al.* (2016:159) added that the innovation process comprises of eight steps namely:

- uncovering the solution-neutral true customer needs,
- identifying the needs characterised by high market potential,
- formulating the innovation activities and strategy,
- generating new ideas and problem solving,
- evaluating and enhancing solution ideas,
- creating innovation concepts based on solution ideas,
- evaluating the innovation concepts, and
- implementing the chosen innovation concepts.

However, Caggese (2015:1) argued that the innovation life cycle and innovations of organisations differ significantly across different sectors of the economy. Despite the various differing views of authors regarding the steps or phases and life cycles of innovation, the current study argues that the related activities of the innovation process identified by authors can been grouped into three phases, namely, 1) the planning or conceptual stage, 2) the implementation stage, and 3) the evaluation stage.

Based on the preceding argument, the current study explored how innovation ideas are generated within service organisations during the conceptual stage, but focused more on the implementation stage of innovation, focusing on the actual implementation of service innovation of MVRs operating in the Gauteng province. This study also focused on the evaluation stage by determining employees' perceptions regarding the influence of MVRs' service innovation practices on the business performance, and exploring how these business performances are measured in the retail context, specifically, MVRs.

The next section discusses the various types of innovation.

2.2.4 Types of innovation

Christensen (2007) categorised innovation into two types: incremental and disruptive, which will be discussed below.

2.2.4.1 Incremental and disruptive innovation

These types of innovation differ due to their impact on the *status quo*. Incremental innovation is about changing consumer behaviour step-by-step incrementally, while disruptive (or radical) innovation acts as a 'game changer' that changes how things used to be done.

Christensen (2016:11) defines disruptive innovation as a competitive response that pre-empts competitors' actions, for example; if the organisation innovates in a particular way, then competitors' reactions are known. Christensen (2016:12) postulates that there are three types of innovations, namely: market-creating innovations, sustaining innovations, and efficiency innovations. According to Christensen (2016:13), market-creating innovations are disruptive, complicated and expensive, but reduce the prices of final products, make products and services become more accessible to customers, and promote organisational growth. The above-mentioned author further explained that sustaining innovations aim to improve the quality of products or service offerings, and to keep profit margins attractive to ensure organisational sustainability, while efficiency innovations aim to reduce production costs by producing more with fewer resources, but can result in a reduction of employees, and can be disruptive.

Dobni *et al.* (2015:5) added that disruptive innovation exists and tends to occur once in a decade, or once in twenty years, which leads to a completely new era, for example, the impact of Henry Ford's invention of the motor vehicle on the motor vehicle industry, the impact of Walt Disney on the film industry, and the impact of the invention of social networking in the past years. According to Dobni *et al.* (2015:6), disruptive innovations are characterised as rare, and often lead to the inception of an entirely new industry in time. However, as the innovations become more difficult to protect, the industry standardises, and more organisations enter the industry.

Mei, Laursen and Atuahene-Gima (2013:5) argued that organisations that focus on incremental innovation capabilities or disruptive innovation capabilities can be stuck into producing low outcomes. Short-term success from the development of

incremental innovations tends to be short-lived and unsustainable in the market as a result of technological change.

In comparing incremental innovations and disruptive innovations, Kelley *et al.* (2011:249) maintained that disruptive or radical innovations often include the introduction of new technologies and the development of a new customer experience. In contrast, incremental innovation has a minimal level of novelty. However, radical innovations require specific organisational capacities and capabilities. In addition, Kelley *et al.* (2011) added that radical or disruptive innovation tends to be capital-intensive, is associated with higher risks, and requires longer times to develop than incremental innovation, and employees must also possess the knowledge necessary to create these new technologies. According to Caggese (2015:2), radical innovations create permanent improvements in organisations which are difficult to reverse and can be considered as disruptive if these innovations fail to increase productivity and profitability.

From another perspective, Bouncken, Fredrich, Ritala and Kraus (2018:391) concluded that collaborations between competitors promote innovations in organisations, but is not yet clear whether the type of innovation that results from these collaborations should be classified as disruptive or incremental. Bouncken *et al*. (2018:394) added that these collaborations increase opportunities to discover and create knowledge that leads to innovations, and resource complementaries. However, the disadvantage is that towards the pre-launch stage of new innovations, competition tensions can emerge amongst the involved parties (organisations). From the retail point of view, Kim, Vaidyanathan, Chang and Stoel (2018:425) indicated that retailers also enter in collaborations in the form of brand alliances in an attempt to enhance business performance, but these collaborations are not always supported by consumers.

Pantano (2014:344) describes retailers as adopters of new technologies and innovation activities that aim to enhance their capacity to understand markets and future market trends, rather than developing new technologies. Homburg *et al*. (2002) in Ruiz-Molina *et al*. (2017:50), defined innovation as “the degree to which retailers operating in a given market adopt new ideas for service; and they attempt to gather consumer assessment of the number of innovations adopted, moment of adoption and consistency of the retailer's willingness to innovate over time”.

In the current study, the focus was on incremental innovation where the degree of innovativeness is aimed towards meeting customers' needs, rather than developing new technologies. Rubin and Abramson (2018:330) identified the structural elements that promote incremental innovations in organisations, namely, the allocated resources for innovation, degree of flexibility to support innovation, and internal team structures, existence of strong centralised governance models, robust communication systems, and organisational incentives encouraging the exploration of new concepts. In support of this argument, Khan *et al*. (2018:1321) indicated that management training, staff development, inter-departmental connectedness, and motivational programmes increase the knowledge and understanding of organisational goals, stimulate market orientation and innovation in organisations, and in turn, these two aspects improve business performance.

Bouncken *et al.* (2018:391) added that collaboration between competitors enables the use of joint market and technological knowledge which leads to the generation of effective innovation. Rupietta and Backes-Gellner (2019:209) alluded that organisations create innovations through various combinations of the existing skills and knowledge possessed by the employees, which makes human capital a crucial resources. In addition, Rupietta and Backes-Gellner (2019:209) added that the human resource management (HRM) system comprises human resource practices that affect both the organisations' operations and employees' behaviour, and these require HRM to regulate the flow of knowledge amongst the employees.

Revilla and Rodríguez-Prado (2018:1611) argued that creativity remains a crucial element in the first stage (conceptual stage) of an innovation process in organisations. Revilla and Rodríguez-Prado (2018:1611) viewed creativity as the idea generation, which emphasises the exploration of new ideas and divergent thinking that contribute towards the development of innovation ideas.

2.2.4.2 Organisational elements as drivers of incremental service innovation

For the purposes of the current study, the organisational elements that serve as the drivers of incremental service innovation activities of service organisations (MVRs) were investigated. Secondly, the employees' perceptions regarding the influence of service innovation practices of MVRs on business performance were captured.

According to Cheng *et al.* (2014:82), there are various types of innovation that can be used to achieve optimal business performance in different industries, namely, product

innovation, process innovation, organisational innovation and service innovation. The types of innovation, namely, product, process, organisational and marketing innovation are distinguished following the views of Schumpeter (1934), where **product innovations** are built on the knowledge or technology used to manufacture the product(s), whereas **process innovations** focus on production, or the stages required to integrate new materials in producing a finished product that leads to a reduction in the operating costs or improves efficiency (Ruiz-Molina *et al.*, 2017:4). Furthermore, product innovation involves the introduction of new ideas and features to the existing product lines of the organisation, while process innovation involves changes to the ways involving how products or services are created and delivered to customers.

Organisational innovation involves changes that are made within the organisation (Makhitha *et al.*, 2016:154). According to Tavassoli and Karlsson (2015:1890), organisational innovations involves changes to the existing procedures of the organisation that aim to improve efficiency, production, profit growth, flexibility and creativity using organisation's intangible knowledge. Examples of these types of innovations are the following:

- Introducing and implementing new strategies.
- Introducing knowledge management systems that improve the skills for searching, adopting, sharing, coding, storing, and disseminating knowledge among employees.
- Introducing new administrative methods, new procedures, and new control systems and new processes.
- Introducing new internal structures that include decentralised decision-making and team.
- Introducing new types of external network relationships with other organisations that include, vertical cooperation with suppliers and/or customers, alliances, partnerships, sub-contracting, out-sourcing and off-shoring.
- Hiring new personnel for strategic positions in the organisation.

Tavassoli and Karlsson (2016:1485) viewed **process innovation** as the implementation of a new or improved production or delivery method of product or service offerings to customers accompanied by substantial changes in techniques,

equipment and /or software with the objective to decrease unit costs of production or delivery, to increase/improve product and delivery quality.

Tavassoli and Karlsson (2016:1485) identified **marketing innovation** as the innovation associated with the implementation of new marketing methods accompanied by major adaptions in product design or packaging, product placement, distribution or pricing strategy. Tavassoli and Karlsson (2016:1485) argued that innovations are created to better satisfy customers' needs, to reach new markets or to give the organisation's products a new position in the market with the intention of increasing sales incomes, and to successfully segment markets to obtain a larger share of the market. The above-mentioned authors added that innovation can be used to effectively compete through a price-adjustment strategy, and to offer product characteristics that increase the customers' willingness to pay for these products.

Service innovation is defined as new developments in the processes, activities and methods followed in delivering the organisation's existing services (Prajogo & Oke, 2016:976). The focus of the current study was on service innovation practices in motor vehicle retailers.

According to Kindström, Kowalkowski and Sandberg (2013:1064), organisations that aim to manage the complexities associated with service innovation in order to achieve service innovation benefits should address a wide range of components related to service delivery. Kindström *et al*. (2013:1064) argued that service innovation needs to be perceived as a multi-dimensional service innovation design and implementation.

Furthermore, Brown and Osborne (2013:188) defined 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 wider society. Similarly, Ferreira *et al.* (2013:734) defined service innovation as the mechanism by which organisations design and launch the new products or services, processes and systems that necessary to meet changes in the market. For their part, Kuo, Kuo, and Ho (2014:697) defined service innovation as "a new way of business thinking to reform relatively conservative and inflexible operational procedures and processes, which can transform organisations to better meet the needs of their markets". According to Miles (2016:12), service innovation is about the adoption of new technologies that are emerging from manufacturing (Miles, 2016:15).

For the purpose of the current study, service innovation refers to the generation of new ideas, and the implementation of intentional incremental innovations that are new to the market, which include new processes, new products or services related to existing services, and new procedures, designed to benefit the customers, the organisation, and other stakeholders. The above definition of service innovation is adopted from that of Miles (2016:12), Kuo *et al.* (2014:697), and Brown and Osborne (2013:188).

The next section discusses the barriers to innovation within organisations.

2.2.5 Barriers to innovation

The term 'barriers' refers to the main obstacles or challenges that organisations face in implementing innovation activities. These barriers can be found inside organisations, for example, due to lack of skills, insufficient market information, insufficient technological information and a shortage of qualified employees. These barriers can also be found outside organisations, for example, market forces, macro environmental factors, and strict government rules and policies (Tehseen & Sajilan, 2016:29).

Tehseen and Sajilan (2016:29) revealed that the major barriers to innovation in a retail context are high innovation costs, lack of sufficient financial budgets, a shortage of market and technological information, lack of qualified personnel, and high economic risks. Tehseen and Sajilan (2016:30) added that if organisations have no qualified employees that are equipped with the relevant information and technologies related to market trends, then it would be difficult to devise effective innovative activities.

A study by Sundbo *et al*. (2015:265) found that layers of management can serve as a barrier to innovation in organisations. Furthermore, Joachim, Spieth and Heidenreich (2018:95) indicated that an organisation's inability to identify the causes of product or service failure serves as a barrier for innovation activities. According to Joachim *et al*. (2018:95), one of the causes of new service or product failures can be innovation rejection by the target market.

Pellengrino (2018:181) argued that the barriers to innovation vary in different organisations due to differing internal factors, such as organisation age, organisation size, financial and human resources. The argument is that new organisations tend to be less sensitive to a shortage of qualified staff when initiating innovations than mature organisations are (Pellengrino, 2018:181). Pellengrino (2018:181) adds that despite

the existence of barriers to innovation, organisations should be innovative, as this presents them with the opportunity to learn how to overcome these barriers.

Baporikar (2015:250) argued that the non-adoption of new innovations by consumers appears to be the primary reason that most innovations fail, and the reasons for lack of adoption tend to be subtle, but often revolve around insufficient knowledge of consumers' preferences and requirements (these factors may also not be consciously known to the end-users themselves.

The current study investigated the barriers that can hinder the implementation MVRs' service innovations.

The next section discusses the benefits of innovation management to organisations.

2.3 MANAGING INNOVATION

It is imperative to manage innovation activities of organisations to direct resources where are needed most. The management of innovation activities in organisations can be done by measuring the innovation effect on business performance. Previous studies have confirmed the positive relationship between innovation and business performance (Huffman & Skaggs, 2010; Yen, 2013; Al-Ansari, 2014; Bigliardi, 2013; Cheng *et al.*, 2014; Mafini 2015; Prajogo, 2016b). However, some studies revealed mixed or contrasting results that research and development (R&D) investments linked to innovation do not influence production-oriented innovative business performance (Hervas-Oliver *et al*., 2014; De Carvalho *et al.,* 2016). According to Al-Ansari *et al.* (2013:166) business performance determines how effectively an organisation manages internal resources and makes changes to its external environments.

In this context, 'business performance' (gain profit, brand image, growth and competitive advantage) refers to the performances that result from organisations' abilities to create new businesses within existing business, or the renewal or adaptation of ongoing business that has reached stagnation point. For example, Tavassoli and Karlsson (2016:1483) stated that there are numerous reasons for the development of innovation activities in organisations, which include the willingness to offer improved or new service offerings or products, to apply more efficient production and organisation methods, to out-perform competitors in the markets, and to enhance the positive perception among customers regarding the organisation's products or service offerings.

By the same token, Dobni and Klassen (2015:105) added that innovation is important for various reasons, and one of the most compelling is its positive relationship to business performance, and to enhance the innovative ability in organisations that result in increased profitability and business growth. To illustrate this argument, previous studies suggest that there is large unexploited potential to improve profit growth through innovation management. For example, a study by Booz and Company (2014) found that organisations who have a strong alignment between their business and innovation strategies outperform competitors, achieving a 40% higher operating income growth over a three-year period, and 100% higher shareholder return.

The above view is shared by Alafeef (2015:193) who justifies that organisations use innovation in an attempt to improve business performance and market share. Many studies have confirmed that innovation is positively associated with business performance (Mukhamad & Kiminami, 2011; Gunday, Ulusoy, Kilic & Alpkan, 2011). Among the studies which support the positive relationship between innovative marketing and business performance is the one conducted by Haghighinasab, Sattari, Ebrahimi and Roghanian (2013). Their study provided additional evidence that innovation has a positive influence on business performance. Ul Hassan, Hassan, Shaukat and Nawaz (2013) uncovered that a strong linkage exists between innovation and business performance, and their study affirmed that organisations that introduce new innovative practices in their services achieve efficiency in the business activities and results. Similarly, Al-Ansari *et al*. (2013) found that a significant positive relationship exists between innovation and business performance.

Bigliardi (2013) investigated the effect of innovation on the organisation's financial performance, and the effect of the organisation size on innovation. The results confirmed that organisations that increase their innovation level, specifically, innovation designed to satisfy customers' needs and for differentiation purposes, achieve improved financial performance. In addition, the results showed that the level of technology adopted to develop innovation does not impact on the financial business performance. In another study, Mafini (2015) examined the relationship between business performance and three input factors; namely, innovation, inter-organisational systems and quality, and the results revealed that a positive and significant relationship exists between innovation and business performance.

González, Arrondo and Cárcaba (2017) used a motor vehicle database to analyse the dynamic evolution of product efficiency in the Spanish auto market over a period of five years. The results of the study uncovered that the changes in both vehicle attributes, prices and technological innovation are appearing at a faster pace within the industry, and as a result, motor vehicle buyers expect to find models with improved attributes and recent innovations at lower (discounted) prices each year. In addition, it was uncovered that the motor vehicle attributes of the majority of models have improved over time to match the customers' expectations of the market.

Furthermore, the study also revealed that where innovation and competition dynamics were the main factors that fostered the introduction of improvements in motor vehicle attributes, this led to lower prices. The study further argued that the dynamics of competition in the motor vehicle industry are complex and require further exploration, and that the need for competitive advantage supports the need for innovation in both products and processes, which incites the continuous improvement of the products offered to consumers in the market. This implies that managers of MVRs should pay attention to the dynamics of competition in the motor vehicle industry and search for innovation activities that can improve their competitive advantage.

The next section focuses on the measurement of innovation performance as a factor of innovation management.

2.3.1 Measuring innovation performance

Innovation is considered to be key to organisational competitiveness, business growth, performance and survival. There are different ways to measure the performance derived from innovation. However, a sound principle in measuring business performance requires a practical framework and the use of a broad range of measures from a well-balanced perspective. The measurement of business performance that is derived from innovation activities serves as the provision of feedback to organisations on their current standing in innovativeness, and promotes effective management and assists in identifying areas that need improvement.

Sethibe and Steyn (2017:2) argued that to achieve successful innovation, innovation performance should be measured through accurate measures. Shin *et al.* (2015:45) shared the same sentiment in pointing out that there are numerous approaches for measuring organisational performance, and they classified these approaches or methods into two categories, namely, financial and non-financial performance

measures. Sethibe and Steyn (2017:2) point out that researchers could use either accounting-based measures to measure the financial aspects of organisational performance, namely, profitability, sales growth, return on assets (ROA), return on sales (ROS), return on equity (ROE) and/or ROI, or stock market measures, and profit growth. The non-financial measures include the measurement of customer satisfaction and retention, market share, competitiveness, reputation, branding and quality.

Despite the limitations of financial business performance measures, profit growth/maximisation remains the key measures of business performance (Sethibe & Steyn, 2017:2). To this end, Ramadani, Abazi-Alili, Dana, Rexhepi, and Ibraimi (2016) investigated the factors affecting organisational performance. The findings of this study showed that innovative activities have a positive impact on organisational performance.

Other researchers similarly postulated that innovation is the key driver of business performance in terms profit growth, organisational reputation image, and increasing the competitive advantage of the organisation, on the basis of delivering customer value, providing customer satisfaction and customer loyalty (Ferreira *et al*., 2017; Dekoulou & Trivellas, 2017; Sethibe & Steyn, 2016; Prajogo, 2016b, Bigliardi, 2013). However, Hristov and Reynolds (2015) discovered that retailers tend to use non-financial measures, such as customer insight, brand track and store image to measure innovation performances.

For the purposes of the current study, business performance is measured using both financial and non-financial measures, namely, profit growth, organisational competitiveness and organisational reputation.

- **Profit growth** refers to improvements in the financial performance as a result of increased sales returns derived from innovation activities (Sethibe & Steyn, 2017:2).
- **Organisational competitiveness** refers to the organisation's efforts in striving for superiority in quality of products and services (Ferreira *et al*., 2017:77). According to Newall (1992), in this context competitiveness includes the production of goods and services of better quality continuously alongside services that are retailed successfully to internal and external consumers (see Ferreira *et al.*, 2017:77).
- **Organisational reputation** refers to the reputation associated with the organisation's name in relation to the range of products and services marketed to

customers of products that were marketed across the categories (Tracey & Phillips, 2016:743). According to Boivie, Graffin and Gentry (2016:192), organisational reputation is attribute specific, including how the organisation treats stakeholders, overall product or service quality in the industry.

The next section discusses the relationship between environment, innovation and business performance.

2.4 THE RELATIONSHIP BETWEEN BUSINESS ENVIRONMENT, INNOVATION AND BUSINESS PERFORMANCE

Organisations operate in ever-changing and complex business and market environments that are characterised by increasing strong competition and economic changes that bring uncertainty (Wang *et al*., 2013). Tsai and Yang (2013:136) pointed out that innovation as a competitive strategy can be used to enhance business performance, despite it being influenced by the business environment in which the organisation operates. Prajogo (2016:242) argued that this is due to the fact that the innovation activities which are effective in increasing business performance in a particular environment may not be effective in the same manner in other environments.

As a result, managers need to maintain a fit between the organisation's innovation activities and the environmental conditions, such as environmental dynamism and environmental competitiveness, as these factors in the external environment can moderate the relationship between the organisations' innovation strategies and their performance.

- **Environmental dynamism** refers to the level of volatility or instability and uncertainty due to continuous changes in a business environment in which the organisation operates.
- **Environmental competitiveness** refers to the intensity of competition in a business environment in which the organisation operates which is often characterised by price war, tight profit margins and tight cash flows brought by competitors (Prajogo, 2016b:244).

Popa, Soto-Acosta and Martinez-Conesa (2017:137) maintain that in a dynamic and competitive environment, the organisation's existing knowledge quickly becomes outdated. This implies that in order to remain competitive in dynamic environments,

organisations need to adopt innovations to counter prices wars, tight profit margins, and the higher pressures of efficiency and tight cash flows.

Prajogo and Oke (2016:988) postulated that managers of service organisations should identify and quickly capitalise on external opportunities in highly dynamic environments, and offer suitable and superior new services to capture the niche market segments. In addition, they need to satisfy the changing customer preferences in such environments, and further create appropriate innovation capabilities in order to address rapid changes of customer preferences in business environments. Organisations need to have the capabilities and competencies to continuously develop or renew their configurations of intellectual, informational, financial, technological, human, and other resources (for example; engage in a continuous cycle of internal creative destruction) (De Oliveira, Teixeira & Werther, 2013:333).

This constant renewal forces organisations to reconsider their existing configurations and strategies, or alternatively to face demolition by their competitors. This implies that MVRs should also analyse the business environment in which they operate and match it with their internal resources and capabilities in order to remain competitive. Therefore, the next sub-sections present the different types of MVRs, and the outlook of the market and macro-environment in which South African MVRs operate and compete.

2.4.1 Micro-perspective view on different types of MVRs

The motor industry is typically organised based on the different activities performed in the industry, namely, manufacturing, distributing and selling of the final products and parts. The global motor vehicle industry can be differentiated into three tiers, namely:

- Original equipment manufacturers (OEMs);
- Original equipment supply (OES) of motor parts and accessory sales through the OEMs, and
- Official car dealerships consisting of franchised and independent motor vehicle retailers (Badenhorst-Weiss & Tolmay, 2017:1330).

The South African motor industry has numerous OEMs or vehicle assemblers; OES-motor parts and accessory sales through the vehicle assemblers, franchised car dealerships; and independent dealerships (Naudé, 2013:408).

Independent MVRs have no affiliation with vehicle manufacturers and sell any kind of used car regardless of the manufacturer, while franchised MVRs sell new and used vehicle for vehicle manufacturers. A key principle is that MVRs are defined based on their affiliations with manufacturers (whether they can be classified as franchise or independent) and the nature of the products or services they offer in the marketplace (whether new motor vehicle or used or alternatively, passenger vehicles, light delivery vehicles or trucks). There are approximately 1 374 new motor vehicle retail outlets having specific franchises; and an estimated 1 696 used motor vehicle retail outlets in South Africa (AIEC, 2017:7).

According to Fraser *et al*. (2013:6), the motor vehicle retailers render the following retail services and marketing functions in the motor vehicle industry:

- Marketing communications or promotions using different media platforms, such as print media, sales promotions, promotional schemes and offers, targeting customers and maintaining a customer database.
- Sales services which include cold calling, dealing with walk-in customers, providing demonstrations and test drives, following up on enquiries, and managing potential sales leads.
- Managing stock levels of vehicles and spares.
- Maintaining stock of motor vehicles and spare parts.
- Forecasting consumer demand for vehicles spare parts.
- Forecasting consumer demand for vehicles spare parts.
- Assisting by placing orders with manufacturers on behalf of customers.
- Performing human resource management functions such as service staff training.

Fraser *et al.* (2013:7) argued that the role of MVRs within the industry should not be underestimated, as they perform major roles which range from collecting the motor vehicles from the manufacturer's assembly plant, to delivering them to the consumers' driveways. Considering this view, the conclusion is that MVRs and employees are important participants in the marketplace in delivering customer value in the motor vehicle industry, as they serve as a link or contact point between their respective organisations and the customers.

2.4.2 The motor industry and the macro-environment in South Africa

The macro environment is defined as the large environmental factors which influence the company, often in an indirect way. These factors are mainly long-term oriented and not changeable by the organisations. The macro environment has the following dimensions, namely, society, economy, technology and law/politics (Birnleitner, 2014:30). Gupta (2013:35) argued that the PEST analysis is the most commonly used method in considering the external business environment in which organisations operate. The PEST analysis stands for Political, Economic, Social, and Technological analysis, and it also describes a framework of macro-environmental factors that form part of environmental scanning. The underlying reason for using the PEST analysis is that organisations need to match their strategies with the business environment in order to react appropriately to it. The next section briefly discusses the interaction between MVRs and economy, and the political and technological environment.

2.4.2.1 The MVRs and the economy

Rollins, Nickell and Ennis (2014:27270) pointed out that the economic conditions of the country influence the strategies of organisations operating in the country. The economic environment comprises external variables, namely, interest rates, inflation rates, the country's economic growth, exchange rates, and monetary and fiscal policies. This implies that there is a relationship between organisations, such as MVRs, and the economy of the country in which they operate.

In this context, the motor vehicle industry is important to the South African economy, as it is considered to be the largest industry in the country; it is a large contributor towards job creation; and contributes towards country's international competitiveness and economic growth (Badenhorst-Weiss & Tolmay, 2016:2). The actual motor vehicle assemblers operating in South Africa include Toyota, Mercedes-Benz, BMW, Ford, Nissan, Volkswagen and General Motors (Badenhorst-Weiss & Tolmay, 2016:2; AIEC 2016:13;). The industry contributed 7.5% towards the country's gross domestic product (GDP) in 2015 (AIEC 2016:6).

Due to the importance of this industry, the South African government is actively involved in supporting the industry through various initiatives, including a range of trade policies (AIEC, 2016:18). However, it is imperative to consider that MVRs play a crucial role in increasing the motor vehicle sales which, in turn, increases the manufacturers' or assemblers' productivity. According to Statistics South Africa, the

local vehicle sales in South Africa averaged 39 807.05 from 1994 until 2017 (Statistics South Africa, 2017), and the majority of these sales were facilitated by MVRs, that are usually known as dealerships. In February 2017, out of the total reported industry sales of 48 113 vehicles, an estimated 38 155 units, or 79.3%, represented dealership sales, and 13.3% represented sales to the vehicle rental Industry, while 4.2% went to government and 3.2% to industry corporate fleets (National Association of Automobile Manufacturers of South Africa, 2017).

2.4.2.2 The MVRs and the political environment

According to De Beer (2012:34), the political environment is characterised by the monetary and legislative policies of the country in which organisations operate. The political environment incorporates the policies, laws and regulations of the government that influence the business activities of organisations. De Beer (2012:34) added that the government, as a regulatory body, impacts the business environment in which organisations operate, for example, through tax legislation, labour legislation, and competition legislation and policies. These regulatory legislations present opportunities or threats to organisations such as MVRs.

South Africa's political environment is considered to be the most remarkable political landscape. The African National Congress (ANC) has been pushing the policy agenda since the democratic elections in 1994. South Africa is considered to be the leading African economy, ahead of Nigeria, and is home to 75% of the largest African companies. However, despite all this, after years of weak growth, the country was on the verge of an economic recession in 2016 (growth of 0.1% of GDP) (The World Bank, 2017).

2.4.2.3 The MVRs and technology

The external environment is dynamic and is characterised by rapid changes, specifically technological changes, which makes it necessary for organisations to be environmentally aware in planning their strategies and activities (Makgopa & Theron, 2017:83). Therefore, in order to remain competitive, innovation becomes important, and organisations with technological capabilities create innovations through the effective implementation of new techniques (Chen, Tang, Jin, Xie & Li, 2014:3).

For the purposes of this study, the argument is that technological advancements could enable organisations to use resources to generate a competitive advantage.

The technological environment includes new technological innovations, and improved products or services that may impact on the organisation's marketing activities in terms of new changes (De Beer, 2012:33; Gupta, 2013:35). An important factor to consider is that technological changes can present threats or opportunities to the organisation, for example; the cost of acquiring new technologies may increase the capital costs of the organisation, which can negatively affect the organisation's operational budgets. However, the Internet and mobile phones, as contemporary tools, can be utilised by organisations to convey messages and allow customers to book for test drives online. According to Caluschi (2013: 474), the Internet, as an example of a technological force, has proven to be an inexpensive way of communicating with customers. Caluschi (2013: 473) added that organisations in the motor industry tend to be quick in adopting new technologies new technological trends in doing business.

This study explores the use of technology, specifically the Internet, in implementing service innovation activities or campaigns

2.4.3 MVRs and the market environment

The continuously changing and competitive market and macro-environments encourage organisations to use innovations to differentiate themselves from competitors, to create customer value, and to improve business performance (Yanadori & Cui, 2013:1504). In this context, this implies that MVRs need to plan a competitive strategy using innovation by anticipating market trends changes, changes in customer needs, and they need to monitor competitors' actions in the marketplace, and use these as a guideline towards to success and improved business performance.

Al-Ansari *et al.* (2013:165) argued that if the organisation aims to improve its business performance through innovation, it needs to create a vigorous business model and cross-functional capabilities throughout the organisation by creating the features of products and services, benefits (for example, value proposition) of using products or services, target market segments, design of revenue streams and cost-effective cost structures, ways of offering products and mechanisms of generating values. According to Al-Ansari *et al*. (2013:165), organisations need to view innovation as the ability of the organisation to seek new and better ways to identify, acquire and implement tasks (for example, processes, products, services, management and

administrative systems, organisational structures and marketing methods) in the organisation.

This study investigates the level of competition and the market dynamics that result from competitors' actions.

2.4.3.1 The outlook of the market environment in South Africa

According to Mekić and Mekić (2014:2303), Porter's five forces model remains a useful instrument with which to understand the dynamics of an industry. Dälken (2014:7) argued that although Porter's five forces model may appear to be outdated; the model remains an applicable instrument that can be used to analyse the business environment.

Gupta (2013:35) argued that organisations need to understand the lifestyles and behavioural patterns of customers, as they impact on the strategic decisions of organisations. The argument by Gupta (2013:35) is that managers in organisations need to understand the organisation's target customers' preferences, needs, attitudes, and beliefs, market size and individual size, sensitivity, and customers' responsiveness to the organisation's business activities.

Therefore, a customer analysis is essential to gather the preceding information about customers in the market. The main objective of carrying-out a customer analysis is to obtain the relevant information that can be used for generating innovative ideas that can be incorporated into organisations' competitive strategies. According to Tafesse, Narui and Korneliussen (2014:24), motor vehicle buyers are analytical in their buying decisions, and assess alternative offers against relevant attributes such as price, safety and reliability.

The second competitive market force is the threat of competitors and potential entrants. According to Porter's model, competition includes the force of rivalry among existing competitors, which includes several forms of competition that could be based on different discounting approaches, such as price discounting, new product introductions, innovative advertising campaigns, and service improvement measures (Porter, 2008:32). This threat can be influenced by factors such as the industry growth rates, the number of competitors, switching costs for consumer products between competitors, product differentiation, or exit barriers for weak competitors.

Roberts-Lombard and Nyadzayo (2014:792) pointed out that there is strong competition in the motor industry in South Africa due to the increase in the number of competitors. In order to survive in the strongly competitive business environment, the transactional interactions with customers should be adapted into long-term collaborative partnerships through effective Customers Relationship Management (CRM) programmes. According to Roberts-Lombard and Nyadzayo (2014), the success and the profit growth of organisations such as MVRs is dependent on the organisation's abilities to motivate existing customers to increase their service usage and to purchase additional products.

This is visible in South Africa where the local motor industry is comprised of multinational companies with Asian, American and European origins (Ambe, 2013:49). These multinational motor vehicle organisations operating in South Africa include Toyota, BMW, Volkswagen, DaimlerChrysler, Nissan, General Motors, Ford, Mazda, Land Rover, Volvo and Fiat (Ambe, 2014:52). The manufacturers and importers sell brand franchises to different MVR groups, such as the Unitrans group, McCarthy retail, Imperial group and Consolidated Motor Holdings. Considering the level of competition in the South African motor vehicle industry, particularly between franchised and independent MVRs, these MVRs need to monitor the competitors' actions that can have an impact on their business performance and strategies.

According to Porter's model, the third market force is the bargaining power of suppliers which defines the risk that suppliers threaten organisations with increasing prices for products or service. There are number of factors which serve as symbols for the high bargaining power of suppliers, namely, the industry is dominated by a few organisations, or the industry is less important to customers of the supplier group. In addition, the bargaining power of suppliers can be influenced by the size of the supplier, the number of suppliers, and the availability of alternative customers (Dälken, 2014:3).

Therefore, the managers of MVRs are required to monitor changes in the market environment as these suppliers can present opportunities or threats. In addition, it becomes necessary for MVRs to build relationships with suppliers/manufacturers who supply them with primary stock in the form of spare parts and motor vehicles.

In carrying out the market analysis according to Porter's model, organisations should identify threats that persist due to substitute products or services. The threat of

substitutes is influenced by a number of factors, for example, switching costs between substitute products or services and other industry (Dälken, 2014:3). Roberts-Lombard and Nyadzayo (2014:734) point out that the threat of substitute products or services persists in the motor vehicle industry, considering the large number of motor vehicle manufacturers, and large number of MVRs or dealerships in South Africa. In addition, there are the MVRs that operate as franchises and some independent organisations, as well as the motor vehicle auctioneers, that need to be considered. Organisations need to be in a position to identify their internal strengths and weaknesses, as well the external opportunities and threats in the market place in order to take innovation decisions by analysing the business environment.

The next section discusses the theories and models relevant to concept of innovation in the business context.

2.5 THEORETICAL FRAMEWORK RELATED TO INNOVATION

The discussion in the next sub-sections will focus on key theories or models relevant to the current study.

2.5.1 Resource-Based View

According to Kogut and Zander (1992), the Resource-Based View (RBV) includes internal factors (internal capabilities), and primarily refers to the categories of resources that are valuable, scarce, difficult to imitate, and non-transferable, leading to a long-term competitive advantage (see Wang & Kimble, 2016:53). RBV is an appropriate grounding theory for organisations that aspire to obtain a competitive advantage in the marketplace. In addition, RBV provides that resources can either be derived from or created by activities within the organisation, while capabilities may emerge from the combination of these resources (Chae, Olson & Sheu, 2014:4696).

This view is supported by Adebanjo *et al*. (2016:1987) in their suggestion that the RBV theory emerges as a theoretical perspective which is used to explain persistency in business performance differences, and it argues that organisations have unique resources and capabilities that are valuable, rare, difficult to imitate, and not substitutable. These resources enable organisations to realise a sustainable competitive advantage and enhanced capabilities. The argument by Adebanjo *et al*. (2016:1987) is that resources can be in a tangible or an intangible in form, and can be either owned or controlled by an organisation, while capabilities refer to the ability to

utilise and combine resources through operational routines in order to achieve the organisation's objectives.

The above views imply that the RBV explains how organisations use resources or capabilities which serve as organisational strengths or weaknesses, to create a sustainable competitive advantage. Thus, RBV leads to the differences in competitive advantage amongst different organisations due to the different resources and capabilities within each organisation.

However, in today's dynamic competitive environment, internal resources or capabilities are not sufficient to ensure competitive advantages. An organisation's internal resources and capabilities can enhance its ability to acquire and exploit external resources, capabilities and opportunities. RBV explains the role of internal resources, capabilities and human involvement in business performance, but fails to identify the vital resources and capabilities that contribute towards a sustainable competitive advantage, and how to manage the resources to sustain a competitive advantage (Wiengarten *et al.*, 2013; Al-Ansari, 2014).

The current study argued that the ability to identify, use and manage internal resources in creating and implementing unique innovation activities could lead to improved business performance, such as organisational competitiveness, profit growth, and enhanced organisational reputation.

Pantano (2014:346) posited that the adoption of innovation in a retail setting is solicited by organisational innovativeness that is derived from human capital (employees and managers, with regard to openness to novelty, willingness to be the first adopters, and propensity to use new ideas for improving organisational processes). In addition to the role of human capital resource in organisations, in the innovation literature, Barrett, Davidson, Prabhu and Vargo (2015:138) concluded that technology is considered as a resource (importantly, information, skills, and knowledge) that creates favourable conditions for the development of improved services, and new methods to create value for customers.

Taking into account Barrett *et al.*'s (2015) approach to technology in the innovation literature, it is imperative to identify the role of technology in innovation, particularly, service innovation.

RBV is considered as relevant for the current study, especially when considering that internal employees, managers and their capabilities are the resources of the organisation that are critical in the actual implementation of innovation practices, particularly, service innovation practices or programmes of MVRs. Based on the service innovation framework proposed by Barrett *et al.* (2015), RBV is relevant to the current study, which probed on the use of internal resources, such as human capital and technology, in facilitating the actual implementation of service innovation activities of MVRs.

The following approaches were therefore adopted for the current study: (1) the first relevant model was based on the resource-based approach, which considers technology as a usable resource and investigates the use of technology in the actual implementation of service innovation activities, and the influence of service innovation practices/activities on business performance through service delivery; and (2) the model can be used to identify the role of technology as a service innovation dimension or tool that assists organisations in achieving improved business performance using the empirical data collected from service organisations (MVRs) in Gauteng, South Africa.

The next sub-section presents a discussion of Contingency Theory.

2.5.2 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" (see McAdam, Miller & McSorley, 2016:1). According to McAdam *et al*. (2016), classical contingencies or contingency variables, include for example, organisational strategy or competitive strategy, and from this view 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 (2019:13) stated that Contingency Theory is based on the premise that organisational strategies and activities are contingent on the environmental conditions in which the organisation operates. Contingency Theory acknowledges the interaction between the business environment and organisations. Moreover, Contingency Theory argues that the business environment is characterised by complexity and uncertainty resulting from a number of environmental factors.

Popa *et al.* (2017:135) stated that organisations' innovations are driven by a confluence of social, economic and technological changes. Pérez-Luño *et al*. (2019:96) added that 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 their organisational strategies and the environment. Drawing from the Contingency Theory perspective, the innovation strategies depend on the alignment of the organisations' internal and environmental factors in managing contingencies.

Prajogo (2016b:242) added that managers should seek to maintain the match between the organisations' innovation activities or strategies, and the environmental conditions, which include environmental dynamism and environmental competitiveness, as these factors in the external environment can moderate the relationship between the organisations' innovation strategies and their performance.

The current study acknowledged the need to maintain a strategic fit between the organisation's internal environment and the external environment, but argued that the strategic choices remain with the internal agents of the organisation (employees). In addition, the current study argues that employees in organisations will choose to develop and implement innovation ideas, which can benefit the organisation and customers (external agents). In light of the current study, the Contingency Theory becomes relevant, as managers of MVRs are required to maintain the match between the service innovation strategies they are pursuing and the environment within which they operate in order to improve the business performance through the initiation and implementation of new service innovations.

Tsai and Yang (2013) demonstrated that innovation can be used effectively as a competitive strategy for an organisation, and their study also argued that effectiveness is influenced by the environmental context in which the organisation operates and competes. However, the business environment often turns out to be dynamic, rather than stable. Prajogo (2016b:241) argued that innovation strategies which are effective in improving business performance in certain business environments may not be as effective in other business environmental contexts.

Therefore, the Contingency Theory becomes relevant in the current study due to the fact that the success of innovation activities or programmes is more dependent on the business conditions of the organisation's business environment where these activities are being implemented. This also calls for managers to find the match between the organisation's innovation activities and the conditions of its environment, as the external environment can have moderating effects on the relationship between the organisation's innovation strategies and business performance.

The current study investigated the influence of external environmental factors (environmental dynamism and environmental competitiveness) on the relationship between innovation practices, specifically, the MVRs' service innovation practices on the business performance.

The next sub-section presents a discussion on the Theory of competitive advantage.

2.5.3 Theory of competitive advantage

According to Porter (1985), the theory of competitive advantage assumes that the more complex and dynamic the economic environment of the country is, the more likely it is for some organisations to fail if they cannot create a robust competitive edge. The business environment in the 21st century, which is characterised as highly competitive and dynamic, has also caused organisations to become more dynamic and aggressive in identifying and adopting innovation strategies in order to have a competitive advantage (Chen, Wang, Huang & Shen, 2015:54).

Previous studies demonstrated that organisations can realise a competitive advantage by having unique resources and capabilities, that are valuable, and that are inimitable by other organisations (Bellini *et al.,* 2016:91; Hsu & Ziedonic, 2013:761; Yanadori & Cui, 2013:1503). For example, competition between organisations in the motor vehicle industry is leading to increases in the introduction of new brands and services in South Africa. Schilke (2014:180) supported the theory of competitive advantage and acknowledged that the interdependence between organisations and the business environment, and postulated that organisations need to have adaptive capabilities to generate competitive advantage in the markets and to seize opportunities.

Similarly, to achieve a competitive advantage, managers of MVRs need to have innovative capabilities that can be used to generate creative solutions, that promote flexibility, examine internal processes, analyse the business environment, improve

service offerings, and adopt technologies that allow efficiency and cost-effectiveness in delivering value to customers.

The next sub-section presents a discussion of Complexity Theory.

2.5.4 Complexity Theory

Levin (1999) is one of the proponents of the Complexity Theory. According to Levin (1999:215), the key fundamental inferences arising from Complexity Theory is that order naturally occurs in systems, no matter how simple, complex, non-linear, or chaotic the system is. The point is that natural order evolves through self-organisation. In a manner that when a system is open to receiving energy from the outside, it will tend to create order, and when a system becomes closed, it will deteriorate into maximum disorder and chaos.

The idea that organisations can naturally develop effective strategies, structures, and processes and self-adjust to new strategies and environmental changes implies that managers should facilitate, guide, and set the boundary conditions within which successful self-organisation can take place. In the language of open systems and complexity, the new management logic requires the management of all the organisational levers of dissipative energy.

This theory involves choosing the area(s) of competition, setting strategic performance aspirations, or setting the strategic stance in the market (for example; competition strategy, being the first mover, being the fast follower). The new management logic also requires internal processes that facilitate all kinds of emergent processes as self-generated sources of dissipative energy, such as improvisation, product or service champions, and emergent strategies. In addition, the new management logic requires employees to be open to bottom-up processes and to accept effective equational outcomes. The approach advocated in this study is based on the principles and concepts of the Complexity Theory. This implies that employees (agents) facilitate, guide, and set the boundary conditions within which effective service innovation activities can take place.

In line with the research objectives of this study, this study investigated employees' perceptions regarding the implementation of MVRs' service innovation practices or activities and the influence on their business performance. In addition, this study also

investigated the employees' perceptions regarding the influence of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between service innovation practices and business performance.

The current study adopted Complexity Theory by arguing that the complex, competitive and dynamic nature of the business environment presents both opportunities and threats. However, to enable effective sense-making out of the information provided by the environment, MVRs are required to evaluate environmental effects in a different way.

The argument in the current study is that some environmental factors (such as environmental dynamism and environmental competitiveness) can promote the development and implementation of service innovation activities, while some of these environmental factors may obstruct the effective implementation of MVRs' service innovation activities, and further deter the positive influence that service innovation activities can have on business performance.

The next sub-section presents a discussion of Complexity adaptive theory.

2.5.5 Complex adaptive theory

The Complex Adaptive Systems (CAS) Model is derived from the scientific Complexity Theory. The scholars, Rogers, Medina, Rivera and Wiley (2005:1) argued that the Complex adaptive systems theory (CAS) can be utilised together in the construction of predictive or applied hybrid models of induced change in population behaviour. According to Rogers *et al*. (2005:1), the end result of complex adaptive systems is the manifestation out of disorganisation into a more ordered system, with more adaptable patterning and better fit. According to James Gleick (1987:14), the birth of complexity science can be traced to John von Neumann's dynamic weather system models of the 1950s at the Institute for Advanced Study in Princeton, New Jersey, an effort that, in turn, goes back to the work of the eighteenth-century philosopher-mathematician Laplace.

Most real business contexts are characterised as complex. For example, Gummesson (2008) pointed out that the participation of numerous participants (such as customers, suppliers and partners) in value-creation, makes value co-creation a complex process. The development of new frameworks is, therefore, required to analyse value-creation to customers as a process resulting from the many relationships between all the

participants involved (stakeholder-centricity) rather than as the dyadic relationships between a supplier and customer (see Polese, Mele & Gummesson, 2017).

CAS tends to exist where there is communication and collaboration, little hierarchical organisation, and staff members who are capable of generating innovation (Sturmberg *et al.,* 2012), which implies that the employees are adaptive, and responsive to the internal and external changes associated with service offerings. According to Alaa and Fitzgerald (2013:13), CAS theory implies that "agents that form the system continuously interact with each other and with the global environment to form stable, global patterns that suit the current settings in the system and the environment".

However, CAS theory was not adopted for this study, as the focus is not on stakeholder centricity and collaborations between participants, but is rather on the influence of MVRs' service innovation practices on the business environment, and the influence of environment factors on the relationship between service innovation practices and business performance.

The pertinent methodological frameworks of the RBV, Contingency Theory and Complexity Theory, as conceptual lenses, enabled this research to answer the research objectives, particularly, the focus on the possible constantly changing environmental factors that serve as drivers of innovation of MVRs. In addition, these theories assisted in interpreting the data regarding the different service innovation activities that are developed within organisations (MVRs) and are implemented in an attempt to remain competitive in the dynamic and competitive business environment which are in line with RBV and Contingency Theory perspectives. Furthermore, the Complexity Theory became relevant, as the organisations are considered to be complex due the interaction between organisations (MVRs) and the complex environment in which they operate.

Moreover, considering that innovation in organisations results from a desire to effect changes which are driven by internal environmental factors (financial resources, internal employees' openness to creativity, internal strategic choices, internal competencies and capabilities) and external environmental factors (changing consumer demands, changing social trends, technological changes, market pressures, competition forces, government regulations) that create complexity which makes Complexity Theory more relevant. This study adopted the Complexity Theory

which holds that organisations can naturally develop effective strategies, structures, and processes and self-adjust to new strategies and environmental changes.

Therefore, the approach advocated in this study is based on the principles and concepts of the Complexity Theory. This implies that employees (agents) facilitate, guide, and set the boundary conditions within which effective service innovation activities can take place. In addition, the Complexity Theory, as the underlying theory for this study, enabled this research to interpret the data regarding the employees' perceptions regarding the influence of service innovation practices on business performances, and the influence of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between MVRs' service innovation practices and business performance.

Finally, in line with the research objectives of this study, the employees' perceptions regarding the implementation of MVRs' service innovation practices or activities, including the drivers of MVRs' service innovation practices were explored, and the business environmental factors (environmental dynamism and environmental competitiveness) that can moderate the relationship between the service innovation practices and business performance were investigated.

Complexity Theory also became relevant to the current study as consumers' needs have become diverse and complex, and organisations, in particular, MVRs are required to respond accordingly by implementing service innovation activities that add value to customers' needs and that will ultimately improve business performance.

The next section concludes the chapter by focusing on a discussion of the innovation models relevant to this study.

2.6 INNOVATION MODELS

Robinson and Stubberrud (2012:54) explained that at the heart of an organisation's business model should be game-changing innovation. In this sense, innovation refers not just to the invention of new products and services; but to innovation models that should demonstrate the ability to systematically transform ideas into new offerings that alter the business context, reshape the industry and marketplace, and redistribute values that should be based on unique competencies, technologies, and lead to improved financial performance.

Therefore, it necessary for an organisation, such as an MVR, to have an innovation business model. However, it is also vital to understand that innovation models have developed and evolved over time. Rothwell (1994) defined five generations of the innovation model development that have been steadily increasing in efficiency over time. The models of innovation have evolved over time from a simple linear model, to an integrated and networked model, to a total innovation management model as shown in Table 2.1.

Table 2.1: Innovation models

Generations/Phases	Innovation models/Main constitutes	Theory foundation
First (1950s-1960s)	Individual, process, factors and technology-push	Driving force
Second (1960s-1970s)	Internal resources, promotion, R&D, and market-pull	Newton classical mechanism
Third (1970s-1980s)	Coupling, outsiders involved, and user as innovator	Newton classical mechanism
Fourth (1980s-1990s)	Portfolio, integrated, parallel, and systematic	System theory
Fifth (21st century)	Networked and total innovation management	Ecosystem

Source: Adapted from Rothwell (1994)

The innovation model is rapidly shifting with time from a manufacturer-centred innovation paradigm (where manufacturers identify consumer needs, develop improved or new products at private expense, and protect and sell offerings developed for profits) to a collaborative user-centred innovation paradigm where lead-users develop improvised versions of improved or new products to serve their own needs at private expense and freely reveal their innovation.

The innovation model that organisations in the 21st century use for business competition has evolved from being an individual process within an organisation to an interactive process between organisations and external stakeholders, such as customers, and is more dependent on collaborative idea generation and less protective of intellectual property at the domestic and global levels. The organisations focus beyond their own internal environment and scarce resources for ideas, opportunities, and external stakeholders, and partners through the use of the new open innovation model (Spithoven, Vanhaverbeke & Roijakkers 2013:537).

The open innovation brings new ideas into organisations, where they acquire new knowledge about facts, and it is based on an outside-in effort that brings new ideas into an organisation. Organisations' resource constraints, scale limitations, limited technological assets, small innovation portfolios, and market channels, means that organisations can benefit from open innovation to reduce their operating costs and to improve internal processes (Scott & Chaston, 2013:1027).

According to Chesbrough and Brunswicker (2014:22), the creation of new profit influxes and the strengthening of an organisation's innovation performance are important activities for business growth, however, open innovation is not without its challenges and limitations. The creation of new profit streams for organisations requires from each organisation to develop a unique business model. Furthermore, Chesbrough (2017:36) posited that an organisation's business model helps to determine which inflows of knowledge can help and encourage innovation, and which knowledge should be released to other organisations. In addition, Chesbrough (2017:36) added that the business model need not be a fixed structure in the organisation, and can be innovated to create customer value from different kinds of knowledge inflows and outflows.

Customer value is considered to be the fundamental basis of all marketing activity. It is also seen as the source of competitive advantage for organisations. In addition, it is described as customer value in terms of rational and experiential perspectives in an effort to capture the extrinsic and intrinsic aspects of customer value in the service context (Chen, 2014:109).

Open innovation is relevant to the current study, as the study also acknowledges the possible impact of environmental factors on the relationship between innovation (service innovation practices) and the business performance of MVRs.

Despite discussing Contingency Theory and other relevant theories in the preceding sub-sections, Ferreira *et al*. (2015:1395) proposed the innovation management model that can be followed in managing innovation. According to Ferreira *et al*. (2015:1395), the innovation management model is based on key steps, namely, searching for innovation opportunities, selecting the type of innovation to be pursued (during this stage the information gathered in the search stage provides critical information for opportunities to be selected and pursued), implementing the selected type of innovation (this stage requires the accumulation of knowledge and key resources

necessary for implementation), and capturing value from the innovation (benefits derived from implementation of innovation).

Taking into account the focus of the current study, the emphasis is on the third step (implementation of the selected type of innovation) by gaining insight into the actual implementation of innovation, particularly the service innovation practices of MVRs, and the fourth step (capturing value from innovation) due to their respective interlinks. The fourth step, capturing value from innovation which involves measuring the benefits derived from implementation of innovation is relevant to the current study, since the study also aimed to determine the employees' perceptions regarding the influence of innovation (service innovation practices) on business performance (profit growth/maximisation, organisational competitiveness, and organisational reputation).

The next section provides a summary of the literature theory discussed in this chapter.

2.7 CHAPTER SUMMARY

This chapter provided an overview of the body of knowledge on innovation, taking into account different views of researchers into the concept, which led to the definition adopted in the current study. This chapter further presented the drivers of innovation, and key business and innovation concepts, and innovation management literature relevant to this study. This chapter provided a discussion on the measures of business performance derived from innovation activities. The interaction between the business environment and organisations, specifically, motor vehicle retailers was also discussed. This chapter further reviewed theories and innovation management models relevant to the current study. These theories included the RBV, Contingency Theory, theory of competitive advantage, Complexity Theory, Complex adaptive theory, and innovation management models, in order to identify theories of relevance that serve as proper lenses to be followed in conducting the research study.

CHAPTER 3:
REVIEW OF SERVICE INNOVATION LITERATURE

3.1 INTRODUCTION

As explained in the previous chapter, the focus of the current study is on service innovation. Therefore, this chapter (Chapter 3) provides the definition of the concept service, and reviews different definitions of service innovation, the benefits of service innovation, and different types of service innovation relevant to the current study. This chapter further provides evidence from previous studies on service innovation to indicate the gaps in literature that are filled by the current study.

3.2 THEORETICAL BACKGROUND TO SERVICE INNOVATION

This section commences by revisiting the definition of the concept 'service', thereafter it reviews the literature regarding the definition of the service innovation concept, and finally discusses types of innovation in order to gain deeper insight into the topic of service innovation.

3.2.1 Defining the concept service

The concept of 'service' needs to be revisited, before an attempt can be made to formulate a definition for the concept of 'service innovation'.

The existing literature has used the differences that exist between service and goods as the basis for defining 'service' using product and service attributes (Bitner, 1992:58; Zeithaml, Parasuraman & Berry, 1985:35; Ding & Keh, 2017). According to Ding and Keh (2017), services marketing literature uses the concept of 'intangibility' as the main distinguishing characteristic between services and products, where services are seen as intangible. However, in practice, the production and consumption of services consist of both intangible and tangible components. Examples of the intangible characteristics of service include factors such as quick service and reliability, while the tangible service features include factors such as the servicescape, decorations, and fittings.

The focus of this study is on the service innovation practices of MVRs offering both tangible and intangible services. Therefore, the study adopted a practical approach which incorporated the focus on both the tangible and intangible attributes of service

(for example; vehicle sales, maintenance services, spare parts sale) offered by these organisations (retailers). MVRs represent the motor vehicle manufacturers at the point of sale and act as the intermediaries between the motor vehicle manufacturers and the customers, and even after the customers have accepted delivery of the purchased vehicles (Fraser *et al.,* 2013:8).

Research, such as the study by Victorino *et al*. (2018:46) found that operations research studies have declined in recent years, and the emphasis has shifted to service design and innovation research. Similarly, Patrício *et al.* (2018:3) stated that service design and innovation are receiving increased attention from the service research community, due to its crucial role in creating new forms of value co-creation with actors (customers, employees and organisations). In addition, Victorino *et al*. (2018:46) argued that employee behaviour and involvement in service operations need to leverage insights from other service management disciplines, such as marketing or organisational behaviour, as well as fields like psychology and sociology.

This argument implies that service research tends to be interdisciplinary in nature. However, Patrício *et al.* (2018:3) indicated that service design and innovation are built on dispersed interdisciplinary contributions that are still poorly understood and which lack integration. Yu and Sangiorgi (2018) described how service design can position new service development towards a service-centric logic, while they presented multiple case studies of service design projects and how they influence service innovation. The results of this preceding study revealed that service design positions new service development processes towards value co-creation through a holistic understanding of the customer experience, and by building the capabilities of long-term actors (employees and customers) to support value-creation.

Gallouj and Djellal (2018:552) indicated that globalisation and digitalisation allow for the interaction and collaborations between producers, innovators and consumers to promote co-creation value and innovation. Research by Weerawardena, Salunke and McColl-Kennedy (2018) discovered that innovative organisations tend to build market capabilities, and internal and relational learning which provide new knowledge with which employees embark on technical and administrative innovations. Weerawardena *et al.* (2018) added that by adopting an organisational sub-system view, the market learning drives other learning capabilities in organisations to contribute collectively to innovation, and in turn, international market outcomes.

The current study focused on MVRs operating as service organisations that follow the service design approach that aims to co-create value for all stakeholders through knowledge sharing that happens between the interaction of actors during service delivery and other technological interactions.

The scholars, Karpen, Bove, Lukas and Zyphur (2015:90) maintain that service-design (S-D) logic provides a service-based view as the main reason for transactions between service providers and customers through the value co-creation processes that are achieved as a result of the integration of resources. According to them, market participants combine resources, while at the personal level determining the value of the related experiences in terms of personal advancement. For example, customers interact with motor vehicle retailers, and then purchase vehicles for the benefits that the motor vehicles provide, such as transportation benefits, social benefits, and other experiences. During any interaction with the organisation's available resources, such as employees, websites, and products or services, customers, as network participants, co-create their own experiences by incorporating and potentially transforming resources into valuable results.

An organisation's role is to facilitate and enhance customers' experiences to ultimately benefit the organisation, for example, in a form of knowledge and financial revenues. Therefore, resources and employees' capabilities are generated within organisational practices, and support the reciprocal value-creation through mutually service-driving resource deployments.

Lusch and Vargo (2014) argue that S-D logic presents the main theoretical breakthrough by stressing that goods and services should be viewed as customer-centric or stakeholder-centric, and viewing goods as packaged services. This view is supported by Lehrer, Wieneke, Vom Brocke, Jung and Seidel (2018) in applying service-dominant logic while demonstrating the interplay of human and material agencies (in the case of human-material service practices) to offer individualised service to customers. Furthermore, According to Lehrer *et al*. (2018:425), organisations use digital technologies as key resource to generate service innovation.

3.2.2 Definition of service innovation

Service innovation and new service development are considered to be the same, interchangeable terms. However, new service development focuses on the process of

developing a new offering, while service innovation tends to focus on the outcome of the process (Patrício *et al*., 2018:5).

Antons and Breidbach (2018) provided an overview of the service design and service innovation fields using topic modelling, a type of machine learning, to analyse the service innovation and service design knowledge. Antons and Breidbach (2018:37) identified and analysed 69 distinct research topics in the published texts, and delineated an extensive research agenda which uncovered that the intersection of service design and service innovation remains largely under-researched.

According to Patrício *et al*. (2018:3), service design plays a crucial role in service innovation by stimulating innovative ideas through a design-thinking process derived from an understanding of customers' needs and their context, and by envisioning future service solutions. However, Durst, Mention and Poutanen (2014:2) demonstrated service innovation as an ambiguous term in literature and the understanding of the concept and its impact on business performance as fragmented. Durst *et al*. (2014) uncovered that less than 13 research papers between 2009 and 2014 had focused on service innovation, and that there were fragmented definitions of the concept.

According to Kindström *et al.* (2013:1064), organisations that aim to manage the complexities associated with service innovation to achieve the benefits of service innovation, should address a wide range of components related to service delivery. Kindström *et al*. (2013:1064) argued that service innovation needs to be perceived as a multi-dimensional factor that involves design and implementation.

Brown and Osborne (2013:188), in contrast, defined 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 wider society. Similarly, Ferreira *et al.* (2013:734) defined service innovation as the mechanism by which organisations design and launch new products or services, processes and systems necessary to meet changes in the market. Furthermore, Kuo *et al.* (2014:697) defined service innovation as "a new way of business thinking to reform relatively conservative and inflexible operational procedures and processes, which can transform organisations to better meet the needs of their markets''. Miles (2016:12) concurred and stated that service innovation is about the adoption of new technologies emerging from

manufacturing (Miles, 2016:15). This definition emphasises the characteristics of service activities and supports the uniqueness of service products and processes of organisations.

Various researchers also defined service innovation from the perspective of other lenses, for example, Giannopoulou *et al*. (2014:25) defined service innovation as a type of product innovation which involves the introduction of services that are new or improved and that aim to create value to customers, organisations and other stakeholders in a given context. Durst *et al*. (2015:66) defined service innovation as the introduction of new services or incremental improvements or adaptations to existing services. Skålén *et al*. (2014:137) defined service innovation as the creation of new value propositions by means of developing existing or creating new practices and/or resources, or by means of integrating practices and resources in new ways. The interpretation of a service innovation in this sense is that it can be regarded as a new development process or its results that are new to the organisation and creates value in use, but does not have to be introduced on the market.

In defining service innovation, Schumpeter (1934:66) argued that innovation does not only create value for the organisation that developed it, but also brings about changes in the market in such a manner that other organisations can imitate and follow it. Sundbo (1997) and Toivonen and Tuominen (2009) shared Schumpeter's view and suggested that the shared way of defining service innovation is based on two themes, namely, on the degree of newness or novelty, and innovation categories.

Dotzel, Shankar and Berry (2013:260) used categorisations to define service innovation by arguing that service innovation differs from the traditional innovation perspectives, especially with regards to aspects such as the customer's changing role, internet usage, and new business models. Durst *et al.* (2015:66), however, maintained that it is difficult to define service innovation in the service sector through categorisation. This is due to the fact that services are complex to differentiate, considering the variety of ways these services are delivered to customers, and the fact that service innovation is more difficult to measure. The key factor to consider is that the intangible nature of services makes these services difficult to manage and understand.

Toivonen and Tuominen (2009:893) defined service innovation as "a new service or such a renewal of an existing service which is put into practice and which provides

benefit to the organisation that has developed it; the benefit usually derives from the added value that the renewal provides the customers". According to these authors, the adaptations on product or services offerings are considered as innovation when the renewal is new not only to the developer, but to the broader market.

This definition highlights some remarkable facets of service innovation.

- Firstly, the definition separates the results or outcome of service innovation from the process of development.
- Secondly, for an invention to become an innovation, the new innovation needs to be utilised and implemented.
- Thirdly, the invention needs to be new to one of the market participants (organisation, customer).
- Fourthly, the invention is required to add value for one or some marketplace participants (organisation or customer).

However, Biemans, Griffin and Moenaert (2015:382) suggested that new service development (NSD) and service innovation should be viewed as synonymous; these authors defined the preceding concepts as a process of devising a new or improved service, from the idea or concept generation up until the market launch stage.

Skålén *et al.* (2014:137) expanded the definition of service innovation by including the ddevelopment and implementation as well as the outcome in it, and suggested that "service innovation can be equated with the creation of new value propositions by means of developing existing or creating new practices and/or resources, or by means of integrating practices and resources in new ways". On that basis, Skålén *et al.* (2014:140) argued that the process of developing new services should not be separated from the implementation and value-creation of the new services, and that the two need to be viewed as different stages of service innovation.

Saarijärvi, Grönroos and Kuusela (2014:528) are of the opinion that organisations have shifted their attention from the sale of goods to the provision of customer value-creation, and are focusing on new and innovative service-based business models. The above-mentioned authors maintain that these business models assist organisations to organise themselves better to meet both changing customer needs and competition by describing how they can facilitate customer value-creation and capture value in return.

The preceding definitions and perspectives show that is necessary to distinguish between radical or incremental innovations. Considering the preceding definitions of service innovation, innovations that are new to the organisation but not to the market (customers) should not be considered as innovations. However, it should not be ignored that the benefits of innovations are measured in economic value for the developing organisation, although this has changed in recent definitions. Lusch and Nambisan (2015) alluded that some researchers consider service innovation to be an outcome or change, instead defining the value from the customer's perspective. For the purpose of this study, service innovation is defined as follows:

Service innovation refers to new idea generation and the implementation of intentional incremental innovations that are new to the market, which include the addition of new processes, new products or services to the existing services, as well as new procedures, designed to benefit the customers, the organisation, and other stakeholders.

The next sub-section discusses the different perspectives on the benefits of service innovations to organisations and customers.

3.2.3 Perspectives on the benefits of service innovation

Service innovation is necessary in organisations in order to create innovative activities and to implement these new innovative solutions in the market in line with the organisations' business activities. Chen *et al.* (2015:54) point out that service innovation is critical for organisations that aim to maintain and sustain a competitive advantage in an increasingly service-oriented context.

The service sector is viewed as important to global economic activity, and is considered to be a primary source of value-creation (Mahmoud, Hinson & Anim, 2018:405: Zhang *et al*., 2016:289), which is derived from innovation and thus increases organisational business performance. Mahmoud *et al*. (2018:405) maintained that organisations operating in a competitive market should focus on customers' needs to tailor-make need-satisfying products and services.

These organisations should generate and implement service innovations in attempts to produce superior value at all times and to satisfy customers' needs. Similarly, Zhang *et al*. (2016:290) added that service innovation requires that customers, employees and suppliers be integrated in developing service innovations that will satisfy the

customers' needs and serve as solutions. It is further argued that service-based organisations operating in a complex business environment should continuously engage in service innovation in their efforts to manage products and services, and therefore, configure the organisations' employees and technologies for an information-sharing setting that creates and delivers value to customers (Hallikas, 2014:55).

Bettencourt, Brown and Sirianni (2013:13) shared the preceding view by identifying service innovation as the main source of competitive advantage in organisations, as it promotes the ability to use knowledge obtained from customers, competitors, and the employees' capabilities to create useful and unique services. Bettencourt *et al*. (2013:13) added that service innovation forms part of organisations' competitive strategy. Furthermore, Bettencourt *et al*. (2013:14) argued that organisations should do investigations to discover more effective ways to innovate through gaining an understanding of customers' expectations in order to improve the organisations' design processes.

For their part, the authors, Ryu, Lee and Ham (2014:298) shared the same sentiments, and viewed service innovation as a new approach to achieving competitive advantage and enhancing organisational business performance in the competitive marketplace. In addition, Ryu *et al*. (2014) added that technology can be a useful resource that encourages and facilitates service innovation. Similarly, the current study explored the use of technology in facilitating the service innovation activities of MVRs.

According to Edvardsson and Tronvoll (2013:21), service innovation is associated with new methods of combining resources, or using resources to create value through business models, within the organisations' service systems. Edvardsson and Tronvoll (2013:21) mentioned that in using the S-D logic to understand innovation, the emphasis should be on the processes of serving customers, rather than on the output in order to influence the innovation outcomes and organisations' business performance.

The current study investigated the influence of MVRs' service innovation practices on the business performance through the use of both financial and non-financial measures, as little is known of the impact of these in the retail context.

The next sub-section discusses the determinants of service innovations in organisations.

3.2.4 Determinants of service innovations

De Fuentes, Dutrénit, Gras and Santiago (2019) analysed the determinants of innovation activities and their effects on output, and revealed that policy interventions were a key determinant. De Fuentes *et al.* (2019:11) argued that policy interventions by the government should encourage organisations to be innovative, and strengthen the intensity of these innovation activities. Alarcón, Aguilar and Galán (2019:240) identified cooperation with other stakeholders as a crucial determinant of innovation. In addition, Alarcón *et al.* (2019:240) identified the intensity of R&D in organisations, together with the size of the organisation, as the other critical determinants of innovation.

A study by Bustinza, Gomes, Vendrell-Herrero and Baines (2019) investigated whether external collaborative service development and provision, and industrial R&D intensity assist in explaining the complex relationship between product–service innovation (servitisation) and performance. Bustinza *et al*. (2019:35) found that organisations offering services benefit from strategic partnerships with Knowledge-Intensive Business Service (KIBS) organisations, while KIBS partnering creates opportunities for downsizing, externalising risks and knowledge sharing. Additionally, Bustinza *et al*. (2019:35) found that manufacturing organisations in R&D-intensive industries are likely to benefit more from implementing service provision than organisations in other sectors due to industry dynamics and reduced customer uncertainty.

Aspara, Klein, Luo and Tikkanen (2018) identified innovation proactivity as a crucial indicator of an organisation's willingness to innovate new services. According to Aspara *et al*. (2018:250), innovation proactivity refers to the degree to which an organisation pursues a given new service in a particular market opportunity before their competitors do. The preceding findings are supported by Divisekera and Nguyen (2018) who uncovered the crucial input for innovation to be the collaborations of the organisation with other stakeholders, followed by human capital, information technology, and funding.

In contrast, Vink, Edvardsson, Wetter-Edman and Trovoll (2019) adopted a service ecosystem lens to understand how environmental elements and trends foster service innovation in organisations, and uncovered that increasing specific elements (space, resources and institutional arrangements) and trends (speed and granularity) drive

service innovation. In addition, these elements and trends explain how context, understood as markets, are embedded in service ecosystems.

However, Al-Ansari (2014:73) explained that innovation in organisations is an outcome of the national innovation system. This national innovation system needs to be interactive in nature to promote rapid growth of the technological and innovation developments, in situations where, for example, the local economy is liberated to create new market opportunities; the local government develops support programmes, infrastructure, and legal and regulatory frameworks; the governance and cross-sectoral networks, open collaborations; the public-private sector partnerships are increased; and funding institutions are available.

Despite the nature of the national innovation system in the country, Grewal, Roggeveen and Nordfält (2017:1) argued that in a dynamic retail marketplace, consumers' needs and technology are the key determinants of innovation, as customers tend to make most consumption decisions. They added that newer technologies (for example, the Internet, robots), newer business models (for example, subscription models), and big data/predictive analytics suggest that the shopping process is on the verge of a quantum leap into an unknown shopping realm. Grewal *et al.* (2017:1) added that to achieve success through innovations requires that critical retailing areas where innovations are changing the game need to be fully understood, so that there is a clear picture about the future retailing field.

According to Grewal *et al.* (2017:1), retailers that are able to connect with customers by providing targeted information and offering value, stand apart and have the potential to create deep customer engagement. Technology can assist retailers to target appropriate consumers, while technology also enables consumers to make better informed decisions about which products or services to consume. A purchase provides the retailer with a multitude of disparate information, including transactional data (such as price paid, quantity purchased, product/service offering composition), consumer data (such as gender, age, family composition), and environmental data (such as temperature).

Retailers that can draw effective insights from big data can make predictions about consumer behaviour, design more appealing offers, appropriately target customers, and develop tools that encourage consumers to make purchase decisions that favour the services and products being offered. Grewal *et al.* (2017:2) further added that

mobile technology also allows retailers to offer relevant offers that reflect customers' personal details.

Li and Peters (2019:1) added that the digitalisation of technology serves as a key driver of service innovation in organisations in the service system context through the use of software. Roggeveen *et al*. (2016:101) indicated that the five effects that drive consumers to engage with social media are: connectedness, network, information, dynamic, and timeliness effects. Personalising technologies to make them user-specific clearly has benefits for both consumers and retailers. However, a personalisation relationship privacy paradox warrants consideration.

Personalising information related to customers can both enhance and diminish consumer engagement with the organisation, because consumers may recognise how much data and information retailers have about them and begin to worry about their privacy. Similarly, Aguirre, Roggeveen and Grewal (2016) argued that retailers need to be careful when using knowledge about customers, and they should use it in a way that balances out this personalisation–privacy paradox.

The current study explored the use of technology, including the use of mobile phones and social media, in the implementation of MVRs' service innovation activities. Customers and other key drivers of service innovation in MVRs were investigated. In addition, the role of organisational resources such as employees, financial resources and organisations' innovation capabilities, as the key determinants or drivers of the service innovations of MVRs, were probed in the current study.

Despite the key determinants of service innovation drawn from literature, a study by Najda-Janoszka and Kopera (2014:190) indicated that low market transparency and the difficulties of concept testing, change inertia, institutional inertia, low awareness about the importance of innovation, and high collaborative costs serve as barriers to innovations in the tourism industry. Furthermore, Parris *et al.* (2016:626) revealed that organisations are faced with the following challenges in implementing service innovation: coordinating adoption, obtaining commitment (buy-in), developing competency, estimating costs, and developing content.

According to Witell *et al.* (2016:439), researchers and managers are required to examine not only the positives associated with service innovation, but the negatives linked to service innovation also need to be considered. These negatives include factors such as frustration of adoption, wasting time, unlearning/re-learning, the

organisational level (for example, loss of competitive advantage; waste of time, money and resources, and lay-offs) and the societal level (for example, lack of economic growth) (Witell *et al.,* 2016:439).

The current study investigated the challenges or barriers that hinder the implementation of MVRs' service innovation activities or practices, as little is known about these in the retail context.

The next sub-section discusses the evolution of service innovation and its various phases.

3.2.5 Phases of service innovation

Carlborg, Kindstrom and Kowalkowski (2014:379) pointed out that service innovation can be categorised into three different phases, namely, the formation phase, maturity phase, and multidimensional phase. Summaries of the three phases are provided below:

3.2.5.1 Formation phase

During this phase, service innovation was at the inception stage and services marketing research focused more on product rather than services. This phase of service innovation opposed the product-centric view of innovation that regarded it as being more or less synonymous with technological innovation, research and development, and new product development.

In the formation phase, new views of services and service innovation provided the foundations for further research leading to an extended research focus on product and production process innovation, and during this phase underlying need for theories applicable to services were addressed. Service innovation researchers challenged the prevailing assimilation view, focusing primarily on the development of the actual service offering and the factors that make services successful.

Most researchers heed the call for specific service research that recognises the specific characteristics that differentiate services from products, such as the inseparability of production and consumption, intangibility, low tradability, and heterogeneity. Technology has emerged as a critical source for innovation in organisations, particularly in manufacturers.

3.2.5.2 Maturity phase

According to Carlborg *et al.* (2014), the years from 2001 to 2005 represented the maturity phase of service innovation. The main focus in this phase required the involvement of customers in the innovation process, which previously had been comparatively less important in the formation phase. The managers within organisations increasingly started to consider service innovation, and customers started to be viewed as active participants in the service process and as co-creators of value. Customer involvement also started to receive significantly more attention as part of service innovation. During this phase organisations focused on how they could arrange services and succeed with service innovation activities, and identify which factors might lead to an increase in the organisations' business performance in relation to its service innovation.

This phase is not characterised by new technological changes, however, service innovations are inclined to represent non-technological innovations.

3.2.5.3 Multidimensional phase

Carlborg *et al.* (2014) posited that the third phase in the evolution of service innovation is the multidimensional phase which started in 2006. This phase represented the multidisciplinary research into service innovation, which reflected the evolving view of service innovation as multidimensional, and that encompasses a concept that could include products (Carlborg *et al*. (2014).

This phase also represented the neo-Schumpeterian approach which focuses on how organisations could manage service innovation where issues like strategy, service innovation, and innovation systems become more pertinent, as well as practices and know-how to manage the broader organisational activities such as resource management. Service innovation is also linked to more significant organisational resources which can be utilised as the means to achieve increased business performance (for example, competitive advantages).

Lastly, during this phase the focus moved to a responsiveness to customer needs and environmental factors (market dynamics) and the emphasis was on the relations between service innovation and organisation's business strategy.

The current study fits into this phase by focusing on how MVRs implement service innovation practices, and by determining the influence of service innovation on the

organisational performance, and further investigating the moderating influence of environmental factors (environmental dynamism and environmental competitiveness) on these relationships.

The next sub-section presents a discussion of the types of service innovations that can be utilised by organisations.

3.2.6 Types of service innovation in the retail context

Schumpeter (1934) proposed several different innovation forms: the introduction of a new product, the introduction of a new production means, and the discovery of a new source of raw materials, and the introduction of new markets, or new organisations. Taking a Schumpeterian view of service innovation, Drejer (2004) emphasised the separation between product and process as the two main service innovation categories.

Carlborg *et al.* (2014:373) posited that service innovation can be planned, intentional, or unintentional and emerging from an interactive learning process between the organisation and customers. For their part, Janeiro *et al.* (2013:2018) explained that radical and incremental service innovations differ due to substantial differences in technology (both current and new) and whether or not consumer needs (existing or new) are being met. In contrast, Brown and Osborne (2013) suggested that a transformational (radical) service innovation is a unique category of discontinuous change. According to Brown and Osborne (2013), discontinuous change includes the introduction of the new service, a new policy, an altered process, or a new configuration of an existing set of relationships to perform a task. However, Hsieh *et al*. (2013) argued that the majority of studies using service innovation categorisations do not provide specific examples of the different category types, despite the importance of such details.

In considering the different views on service innovation, the current study regards the views of Schumpeter (1934) and Janeiro *et al*. (2013) as relevant, in that separation should be made between the product and the process of delivering a product, and that separation should be made between radical and incremental innovations.

According to Bellini *et al*. (2016:93), there are various sets of strategic decisions in service innovation, namely:

- Temporal reconfiguration, which relates to innovations based on the change of structure and control of activities within the primary activity chain. In the case of this study this can refer to innovations linked to self-configuration of the new motor vehicle, self-booking of the test drive, and self-booking of vehicle service repair.
- Temporal expansion, which involves innovations based on the addition of new activities to the primary activity. In the case of this study, this can refer to pre-sales data collection, comparing products and services, testing cars, negotiating economic conditions such as interest rates, closing the sales deal, signing the contract, delivering the motor vehicle to the customer, and accessing after-sales service.
- Spatial reconfiguration, which refers to innovations related to supporting a new role for the customer in adjacent activity chains. In the case of this study, this can refer to innovations associated with new forms of new consumer engagement in their own spaces, such as online vehicle search.
- Spatial expansion, which relates to innovations based on the addition of new activities to an adjacent activity chain. In the case of this study this can refer to innovations that are connected to the primary motor vehicle purchasing process (for example, social network activities and transportation activities).

According to Durst *et al*. (2015:66), the service innovation model has the following four dimensions:

- Service concept, which is a new service in the market;
- Client interface, which refers to new ways in which clients are involved in the service production;
- Service delivery system, which encompasses new ways the actual services are delivered to the customers; and
- Technology, which has to make sure that the services can be provided efficiently.

The preceding service innovation model is used during the empirical analyses of the current study to classify the different service innovation activities or practices that MVRs in the sample pursue when innovating the retail business experience while delivering service offerings.

However, according to Skaalsvik and Johannessen (2014:38), the types of service innovation are: neglected, imitative, defensive and offensive. Skaalsvik and

Johannessen (2014:42) added that offensive service innovations are essential in order to be successful in the development of innovations in service organisations.

Hinterhuber and Liozu (2014:414) postulated that innovation in organisations can be brought about by using the marketing mix elements, such as price, as a source of competitive advantage. However, the majority of organisations do not engage systematically in pricing innovation, and the pricing strategies are largely based on competition or cost-based pricing, and pricing tactics are limited to discounting. Furthermore, these organisations do not have a dedicated function, for example, a chief pricing officer responsible for improving price setting or price-getting capabilities. Hinterhuber and Liozu (2014:414) further defined pricing innovation as the innovation that brings new-to-the-industry approaches to pricing strategies, to pricing tactics, and to the organisation of pricing with the objective of increasing customer satisfaction and company profits.

Therefore, in the current study, a further probed is done on the different types of service innovation activities, and on how MVRs use the marketing mix element, namely, price, in the actual implementation of service innovation activities.

The next section provides a discussion of previous studies on innovation, with more emphasis on service innovation as the main focus of the current study.

3.3 DISCUSSION OF GAPS IN SERVICE INNOVATION STUDIES

This section provides evidence of previous studies on service innovation in order to indicate the gaps in literature that will be filled by the current study.

Table 3.1 (on the next page) presents the previous studies on innovation indicating the authors, data used in the study, and the main findings of each study.

Table 3.1: Previous studies on service innovation

Authors	Data and country	Main findings
Ndubisi, Dayan, Yeniaras & Al-hawari (2019)	Empirical data, United Arab Emirates	This study tested the moderating roles of competitive intensity and demand uncertainty in the relationship between joint innovative capabilities and service innovation. The results of the study demonstrated that the relationships among complementarity of knowledge and capabilities as operant resources in joint innovation. In addition, this study uncovered that the relationships between complementarity of knowledge and joint innovation capabilities, and between joint innovation capabilities and service innovation, are significant and positive.
Aspara *et al.* (2018); Klein *et al.* (2018)	Financial service data, Finland	A systematic exploratory investigation was conducted on the effects of organisations' existing service productivity on the success of new service innovations in financial services. The results of this study uncovered that being productive in financial services increases an organisation's willingness to innovate new services proactively, however, it decreases the organisation's capabilities of bringing these services to the market successfully.
Snyder *et al*. (2016)	Literature review	The study defined service innovation through categorisation. The service innovation was categorised, considering the changes made to the product or service offering or the resources. This study categorised service innovation into radical and incremental, in terms of product versus process innovation, in terms of new to the organisation versus new to the market, and in terms of technology versus organisational innovation. The study revealed that defining service innovation remains a complex task, but the concept is however, imperative for explaining the service sector's growth.
Reynoso, Kandampully, Fan & Paulose (2015)	Literature review	This study aimed to investigate the indigenous, solution-based business models and their relevance to inclusive service innovation in emerging economies, with particular emphasis on the role of culture and technology. The results revealed service innovation as an integrated, virtuous cycle, made of service relationships that are created from various levels across different income segments.

Authors	Data and country	Main findings
Witell *et al.* (2015)	Literature review	This study used a conceptual model based on different levels (individual level, organisation level and societal level) and outcome (success, failure), to explore three dichotomies of service innovation: adopt–reject, change–static and good–bad. This study revealed that service innovation is associated with high risk. This study further recommended that organisations' natural response to risk should focus on incremental innovations rather than on radical innovations. In addition, this study recommended that researchers and managers should learn from failures and acknowledge the negative effects of service innovation.
Parris *et al.* (2016)	Case study on the athletic department	This study explored the barriers or challenges associated with service innovation. This study revealed that organisations experienced the following challenges in implementing service innovation: coordinating adoption; obtaining commitment (buy-in); developing competency; estimating costs; and developing content. This study further uncovered that the main benefits of a customer relationship management (CRM) technology solution include the generation of incremental revenue, capturing data and personalised marketing.
Sethibe & Steyn (2016)	Systematic review	This study critically analysed the measurement instruments used to measure the relationship between innovation and business performance. The results of this study revealed profitability, sales growth and return-on-investment as the common financial indicators, and customer satisfaction and productivity as non-financial measures. This study uncovered that reputation as a non-financial measure remains unpopular in assessing business performance.
Zhang, Zhao & Voss (2015)	1 646 manufacturing organisations and 686 service organisations	This study investigated the mediating impact of collaborations on customer orientation and innovativeness in service and manufacturing organisations. The study revealed that supplier collaboration has as stronger mediating effect on the relationship between customer orientation and innovativeness in service organisations. Technological capability is relatively important for both service and manufacturing organisation.

Authors	Data and country	Main findings
Durst *et al.* (2015)	Literature review	This study explored the relationship between service innovation and performance. The results of this study revealed that there is limited knowledge on the relationship between service innovation and performance. The study recommended that service innovation research deserves further scrutiny.
Chong & Zhou (2014)	Healthcare organisations	This study examined how a service-based organisation's market-linking capabilities and market turbulence impact on the relationship between service innovation and new product performance. The results of this study revealed that new product performance is high in organisations where there is high service innovation.
Kindström *et al*.(2013)	Eight product-oriented service organisations	This study explored how product-centric organisations can compete through adding service offerings to their existing portfolios. This study revealed that effective innovative service delivery is dependent on the organisation's dynamic capabilities. In addition, this study uncovered that identifying the main internal capabilities is vital for organisations that intend to add services to their business portfolios.
Thankur & Hale (2013)	Managerial data from various service industries	This study investigated how service innovation is defined and used in research. The results revealed that service innovation is positively related to financial and non-financial performances in both the USA and India. The results also indicated similar managerial perceptions regarding service innovation effectiveness and impeding factors in both countries. However, managers in the USA indicated that factors beyond their control have a negative impact on service innovation, while these factors, such as customer demands and competition, are not a significant predictor of innovation in India.
Ordanini, Parasuraman & Rubera (2013)	Service industry data	This study explored the impact of service innovation in creating a competitive advantage through service adoption in the hotel sector. The results revealed that individual service attributes have complex trade-off impacts and that only specific combinations of attributes act as sufficient conditions for new service adoption.

Authors	Data and country	Main findings
Edvardsson & Tronvoll (2013)	Literature review	This study conceptualised service innovation through a service-dominant logic (SD logic) lens and service system foundation. The study demonstrated how a resource assortment in a service system is reconfigured and thus explains service innovation from the lens of S-D logic, emphasising customers' co-creation of value in practice.
Bettencourt *et al*. (2013)	Literature review	The study focused on service innovation indicating that focusing on incremental improvements constrains the organisation's capabilities as it limits new ideas. The study argued that organisations must expand their focus beyond existing services and service capabilities to address the important needs of customers. In addition, the study recommended that organisations focus on service by developing shared solutions for the customers and organisation by developing innovative service offerings and new processes.
Rangus & Slavec (2017)	421 manufacturing and service organisations	The study investigated the relationship between organisational characteristics and the organisation's innovation and business performance. The study uncovered that decentralisation was positively connected to employee involvement, absorptive capacity, and the organisation's innovation performance. This study also demonstrated that employee involvement and absorptive capacity mediate the relationship between decentralisation and the organisation's innovation performance.
Kindström & Kowalkowski (2014)	Empirical data from product-centric organisations	The study investigated the nature and characteristics of business model elements required for successful service innovation. The study also examined which unique resources and capabilities product-centric organisation should develop and deploy to pursue service innovation. The study revealed that product usage and process data are key resources for revenue models for better match with the customer's value-creation processes, including availability based and performance-based contracts. In addition, the study uncovered that extensive knowledge of the technical system or subsystem of the service is an important resource. The study also revealed that a field service network is important for effective service delivery.

Authors	Data and country	Main findings
Khan & Naeem (2016)	Telecommunications organisations data	The study examined the relationships between quality practices, service innovation and organisational performance. The results of this study demonstrated that quality practices improve service innovation and organisational performance. This study further showed that service innovation has a positive influence on organisational performance.
Janeiro *et al*. (2013)	967 service organisations	This study focused on the relationships between service organisations and universities as sources of information for innovation. The results of this study demonstrated that innovation success, radical innovations, service innovation and innovation intensity are crucial to the development of links between innovative service organisations and universities. The organisations that are innovation leaders are more likely to use universities intensively in their innovation activities. The study further conorganisationed that the higher the innovation-intensity level, the greater the organisation's reliance on universities.
Salunke, Weerawardena & McColl-Kennedy (2013)	Empirical data from US and Australian project-oriented organisations	This study aimed to demonstrate how entrepreneurial service organisations integrate resources in an organisation to innovate and stay ahead of competitors by gaining sustained competitive advantage. This study demonstrated that service entrepreneurship (SE) bricolage influences two forms of service innovation (interactive and supportive), which in turn yield sustained competitive advantage (SCA). The results revealed that SE and bricolage indirectly relate to SCA through service innovation.
Pesämaa, Shoham, Wincent & Ruvio (2013)	Data from 395 strategic business units (SBU) in Israel's healthcare industry	This study examined the role of learning-orientation as a moderator in an integrative model of organisational innovativeness. The results of this study conorganisationed the moderation of the impacts of risk-taking, creativity, competitor benchmarking orientation, and environmental opportunities on innovativeness. The results of this study further demonstrated that learning orientation should be considered in understanding effective innovation work for competitive service delivery. Moreover, the study uncovered that extensive knowledge of the technical system or sub-system of which the service is part, is a related resource.

Table 3.1 indicates that research in innovation originally focused on product and technological innovations, having historical roots in the manufacturing sectors, such as in the aerospace and automotive industries (Carvalho & Goodyear, 2018; Carlborg *et al*., 2014; Djellal, Gallouj, & Miles, 2013). From this perspective, researchers were interested in the products and the production systems related to innovation, with greater disregard services. However, once the services sector gained acknowledgement and recognition due to its economic significance, and its relevance for global economic development and growth, the research on service innovation started expanding and diversifying. Some of previous studies on service innovation were conducted through a literature review from different dimensions, such as a focus on the definition and nature of the concept (Snyder *et al*. 2016; Witell *et al*. 2015; Reynoso *et al*. 2015), types of service innovation (Bettencourt *et al*. 2013), the relationship of service innovation and business performance (Durst *et al*. 2015), and service system (Edvardsson & Tronvoll, 2013). Snyder *et al*. (2016) defined service innovation through categorisation, and the concept service innovation was categorised taking into account the changes in either the offering or the resources, and depended on the degree of change, type of change, newness and means of provision.

Witell *et al*. (2015) pointed out that service innovation is linked to high risk, where risk implies the possibility of making a wrong decision, and further argued that organisations' natural response to risk should to focus on incremental innovations rather than on radical innovations. Reynoso *et al*. (2015) focused on gaining insights into indigenous, solution-based business models and their relevance for inclusive service innovation within the emerging economies, with specific emphasis on the role of culture and technology. The results of their study revealed that service innovation reflects an integrated, virtuous cycle, composed of service relationships that are created from various levels across different income segments.

Table 3.1 depicts that Bettencourt *et al*. (2013) focused on service innovation, indicating that a focus on incremental improvements constrains the organisation's capabilities as it limits new ideas. They further argued that organisations must expand their focus beyond the existing services and service capabilities to address the important needs of their customers, including the jobs and outcomes those customers are trying to achieve. This study recommended that organisations should focus service by developing shared solutions for the customers and organisation by developing breakthrough service offerings and new processes.

Durst *et al.* (2015) reviewed the previous literature and uncovered that there was limited knowledge on the relationship between service innovation and performance. As a result, they recommended that service innovation research deserves further scrutiny. Edvardsson and Tronvoll (2013) explored service innovation, and demonstrated how a resource assortment in a service system is reconfigured and thus explains service innovation from the lens of S-D logic, emphasising the customers' value co-creation in practice.

Considering the preceding paragraphs, therefore, the current study will contribute to new knowledge on the topic by focusing on the actual implementation of service innovation in practice, by simultaneously taking both incremental and radical service innovation into account.

The majority of the service innovation studies in Table 3.1 were conducted in the manufacturing, rather than service industries (Rangus & Slavec, 2017; Parris *et al*., 2016; Khan & Naeem, 2016; Zhang *et al*. 2015; Chang *et al.* 2014; Kindström & Kowalkowski, 2014; Chong & Zhou, 2014; Kindström, 2013; Salunke *et al*. 2013; Thakur & Hale, 2013; Ordininni *et al*. 2013; Janeiro et al. 2013; Pesämaa *et al*. (2013). For example, Rangus and Slavec (2017) investigated the relationship between organisational characteristics, organisational service innovation and business performance of 421 manufacturing and service organisations, although the service organisations in the study did not include the motor vehicle retail sector.

Parris *et al*. (2016) explored the challenges experienced in implementing service innovation in the context of an athletic department, and this study uncovered that coordinating adoption, obtaining commitment (buy-in), developing competency, estimating costs and developing contents were key challenges. This study further revealed that the primary benefits of a customer relationship management (CRM) technology solution includes the generation of incremental revenue, capturing data and personalised marketing.

In their study, Khan and Naeem (2016) determined the relationships between quality practices, service innovation and business performance, and the results of this study showed that quality practices improve service innovation, and that service innovation positively influences business performance. Service organisation data, specifically, a telecommunication service organisation was used in this study.

Chang *et al*. (2014) investigated the role of market-linking capability and market turbulence on the performance of new product development in a service sector. The findings of this study revealed that the combination of high market-linking capability and high market turbulence strengthen new product development performance.

In their turn, Zhang *et al*. (2015) investigated the effect of customer-orientation, supplier collaboration and technological capability on the innovation of service and manufacturing organisations, and the results revealed that customer-orientation and technological capability are relatively important for innovativeness. The results also revealed that supplier collaboration has a stronger mediating effect on the relationship between customer-orientation and innovativeness in service organisations. A similar study by Kindström and Kowalkowski (2014) had previously investigated the nature and characteristics of the business model elements in product-centric organisations that are required for successful service innovation. This study revealed that in order to drive change and foster a service innovation culture, service leadership capability is required in an organisation.

Kindström *et al*. (2013) explored service innovation in the service sector, and the results revealed that successful innovative service delivery is dependent on organisational capabilities. In their study conducted during the same year, Thankur and Hale (2013) investigated the influence of service innovation on the financial and non-financial performance of project-oriented organisations in the developed economy of the USA. The results uncovered the positive influence of service innovation on business performance. In addition, this study found that customer demands and competition are not significant predictors of service innovation in India.

Janeiro *et al*. (2013) investigated the links between service innovations and universities as sources of information on innovation, and the results showed that innovation success, radical innovations, service innovation and innovation intensity are vital to the development of links between innovative service organisations and universities. In the same year, Pesämaa *et al*. (2013) examined the role of a learning-orientation as a moderator in an integrative model of organisational innovativeness, and the results of this study demonstrated that learning orientation should be considered to be crucial for effective innovation.

Taking into account the previous studies on service innovation discussed in this section and the context of each study, these studies overlooked the actual

implementation of service innovation in the service sector, particularly, in the motor retail sector in developing (middle income) countries. The current study adds deeper insights to innovation literature by addressing a research call made in a study by Bellini *et al*. (2016:100) that the research focus should be on the actual implementation of innovation projects or activities in retail organisations and on the impact on business performance.

Therefore, the current study addressed the identified literature gap, and made a further contribution to service innovation literature by uncovering factors that have an influence on the relationship between service innovation and business performance. This is in answer to the research call by Sethibe and Steyn (2016:12) who recommended that future research should explore possible factors that influence the relationship between innovation and business performance. This study provides clear evidence of the academic literature gap on the actual implementation of service innovation practices and the impact thereof on business performance, and the moderating role of environmental dynamism and environmental competitiveness on the relationship between service innovations and business performance.

Ndubisi *et al*. (2019) tested the moderating roles of competitive intensity and demand uncertainty in the relationship between joint innovative capabilities and service innovation. Therefore, the current study adds deeper insight to the academic literature by addressing the shortcomings of the preceding study by including both financial and non-financial business performance as variables of interest. In addition, this study is unique in the field of innovation literature by using both financial and non-financial measures to determine the influence of service innovation practices on business performance. This is in response to the recommendation made by Sethibe and Steyn (2016:12) that the measurement instruments related to business performance need to be selected in line with the research objectives of the study.

In addition, the current study introduces a non-financial performance measure (organisational reputation) as it has not been sufficiently investigated in service innovation literature. Moreover, the current study adds value to academic literature by presenting a theoretical model to be discussed in Chapter 4 which introduced two environmental factors (environmental dynamism and environmental competitiveness) that have not been sufficiently explored in service innovation literature, by providing evidence on the moderating role of these variables on the relationship between service

innovation practices and business performance. Thus, the results of the current study also provide a yardstick for the strategic planning of service innovation activities in line with the organisational resources, organisational capabilities and staff competencies, as well as the business performance in conjunction with environmental contingencies in which the service organisations operate.

3.4 CHAPTER SUMMARY

This chapter provided various definitions of the concept service. Secondly, this chapter presented a review of the different definitions of the service innovation concept, and outlined the definition adopted for the current study. Thirdly, the benefits and the determinants of service innovation were discussed. Fourthly, the phases of service innovation were provided, followed by a discussion of the different types of service innovation which are explored in the current study. This chapter concluded by discussing the gaps related to service innovation in academic literature that will be filled by the current study. The next chapter presents the theoretical model and discussion leading to the development of the hypotheses tested in the current study.

CHAPTER 4:
DEVELOPMENT OF THEORETICAL MODEL

4.1 INTRODUCTION

Chapter 1 outlined the research problem of this study as a lack of academic literature on the actual implementation of service innovation practices, the influence on business performance in retail organisations, and a lack of knowledge regarding the business environmental factors that influence the relationship between the service innovation practices and business performance of retail organisations. In Chapter 2, the overview on innovation was discussed. From this discussion, it was clear that innovation comes in different forms such as product innovation, process innovation, service innovation, and organisational innovation. Service innovation, as the focus of this study, was discussed in detail in Chapter 3.

As outlined in Chapter 1, the primary objective of this study was to determine the influence of MVRs' service innovation practices on business performance, and to determine the moderating role of environmental factors on the relationship between the MVRs' service innovation practices or activities and business performance.

The focus in this chapter is on the key variables used in the study to realise the research objectives, and which led to the development of the hypotheses tested. In summary, the purpose of this chapter is to support the development of the theoretical model of this study by highlighting the literature results on the relationships between the variables of interest.

4.2 HYPOTHESES

This section provides a discussion of the relationship between the variables used in developing the hypotheses tested in the current study.

4.2.1 Service innovation and business performance

In the current study, three variables are applied to measure the business performance, namely, financial performance (profit growth/maximisation), organisational competitiveness, and organisational reputation. Therefore, the next sub-sections provide a brief discussion of the effect or influence of innovation practices on the

mentioned variables. In addition, the next sub-sections present the hypotheses developed and tested in the current study.

4.2.1.1 Innovation and financial performance

The relationship between the variables innovation and financial performance (profit maximisation) is presented in Table 4.1 and subsequently discussed.

Table 4.1: The relationship between the variables innovation and financial performance

Variables	Authors
Innovation H_1 Financial performance (profit growth/maximisation)	– Al-Ansari *et al.* (2013:166) – Dekoulou & Trivellas (2017) – Bigliardi 2013 – Likar *et al*. (2014)

Source: Author's own compilation

Al-Ansari *et al.* (2013:166) explain business performance as the measures that determine how well an organisation manages its internal resources and adapts to its external business environments to translate it into financial performance which can be in the form of increased sales, profit, stock market shares, and return on equity. In addition, non-financial performance measures such as reputation, competitiveness, branding and quality are also measured. The financial measures refer to objective measures such as profit growth/maximisation, the average sales revenue, and market share.

Previous studies have confirmed the positive influence of innovation on organisations' financial performance (Dekoulou & Trivellas, 2017; Al-Ansari *et al.*, 2013; Bigliardi, 2013). For example, Dekoulou and Trivellas (2017) revealed that innovation has a direct influence on customer value, and through this influence, has a positive effect or influence on financial performance. However, Likar *et al*. (2014) found that the influence or impact of innovation activities on business performance differs amongst organisations due to their different market positions.

Hristov and Reynolds (2015) revealed that retailers use financial measures, such as sales and time-related market share, profit margins, and product ranges, to measure innovation performances. Taking into account the mixed findings of the preceding studies, the question that can be asked is: do service innovation practices or activities have the same or different influences on the financial performance of MVRs?

Therefore, based on this question, the first hypothesis that is tested in this study, and as depicted in Figure 4.1, is formulated as follows:

H1: Service innovation practices have a significant positive influence on the financial performance (profit maximisation) of MVRs.

4.2.1.2 Innovation and organisational competitiveness

The relationship between the variables innovation and business performance (organisational competitiveness) is presented in Table 4.2, and subsequently discussed.

Table 4.2: The relationship between innovations and organisational competitiveness

Variables	Authors
Innovations H2 Organisational competitiveness	– Ferreira *et al.* (2017) – Prajogo (2016b) – Bellini *et al*. (2016)

Source: Author's own compilation

Innovation is accepted as a critical source of competitive advantage, and therefore retail organisations are looking for innovations that can increase their competitiveness (Bellini *et al*., 2016:1). Ferreira *et al.* (2017) confirmed that innovation has a positive influence on an organisation's competitiveness, and they further found that the entrepreneur's profile proves to be critical to the growth of the organisation, as it triggers entrepreneurial activities and innovativeness. Prajogo (2016b) also affirmed the positive influence of innovation on business performance (organisational competitiveness), in addition, the author argued that in order to realise this relationship, a strategic fit between the organisational strategy and the business environment in which the organisation operates is necessary.

Considering the findings of the mentioned studies, the question that can be asked is: does service innovation have a positive influence on the business performance (competitiveness) of MVRs? Therefore, based on this question, the second hypothesis that is tested in this study, and as depicted in Figure 4.1, is formulated as follows:

H2: Service innovation practices have a significant positive influence on the business performance (organisational competitiveness) of MVRs.

4.2.1.3 Innovation and organisational reputation

The relationship between the variables innovation and organisational reputation is presented in Table 4.3, and subsequently discussed.

Table 4.3: The relationship between the variables innovation and organisational reputation

Variables	Authors
Innovation H3 Organisational reputation	– Ferreira *et al*. (2017) – Dekoulou & Trivellas (2017) – Sethibe & Steyn (2016) – Prajogo (2016b) – Bigliardi (2013)

Source: Author's own compilation

Innovation is considered to be the key driver of business performance in terms of the profit maximisation, organisational reputation image, and competitive advantage of the organisation, on the basis of delivering customer value, providing customer satisfaction and customer loyalty (Ferreira *et al*., 2017; Dekoulou & Trivellas, 2017; Sethibe & Steyn, 2016; Prajogo, 2016b, Bigliardi 2013).

Tehseen, Sajilan, Adaha and Abadi (2017:5) maintain that in a highly competitive retail context, a retail identity and branding are key assets that need to be nurtured and maintained over time in order to achieve create innovation and a competitive advantage in the market. Hristov and Reynolds (2015) discovered that retailers use non-financial measures, such as customer insight, brand track and store image to measure innovation performances. However, Sethibe and Steyn (2017:4) affirmed that increases in market share, reputation image, branding, customer satisfaction and increased productivity are the most popular non-financial-based measures of organisational performance.

Taking into account the findings of the preceding studies and the role of innovation as related to the reputation of organisations, the question that was asked was: does service innovation have a positive or contrasting influence on the reputation of MVRs? Therefore, based on the above question, the following hypothesis was developed and tested in the current study, and is formulated as follows:

H3: Service innovation practices have a positive influence on MVRs' organisational reputation.

4.2.2 Moderating role of environmental factors

In the current study, two environmental variables are utilised to determine their moderating role on the relationship between the service innovation practices and business performance of MVRs. Therefore, the next sub-section presents the discussion derived from previous literature on the moderating role of these variables (environmental dynamism and environmental competitiveness) on the effect of innovation on business performance which led to the development of two hypotheses tested in the current study.

4.2.2.1 Moderating role of environmental dynamism and environmental competitiveness

The relationship between the variables environmental factors (environmental dynamism and environmental competitiveness) is presented in Table 4.4 and subsequently discussed. Table 4.4 specifically illustrates the moderating role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between the variables innovation and organisational performance.

Table 4.4: The moderating role of environmental factors

Variables	Authors
Innovation H4 Environmental competitiveness Organisational performance Service innovation H5 Environmental dynamism Organisational performance	Prajogo (2016:242) Omri (2015:200) Pérez-Luño, Gopalakrishnan & Cabrera (2014:500) Xue, Ray & Sambamurthy (2012:524)

Source: Author's own compilation

Prajogo (2016b:242) revealed that managers should seek to maintain the match between the organisations' innovation activities or strategies and the environmental conditions, including environmental dynamism and environmental competitiveness, as these factors in the external environment can moderate the relationship between the organisations' innovation strategies and their performance. Omri (2015:200) pointed out that organisational performance not only depends on the innovation strategy, but also depends on the environmental conditions, such as environmental dynamism.

Omri (2015:208) revealed that environmental dynamism has a negative interacting effect on innovation output and organisational business performance.

In another study, Pérez-Luño *et al*. (2014:500) postulated that the environmental dynamism and competitive environments push organisations to develop innovations, and that environmental dynamism has been proven to have a significant effect or influence on innovation, considering that rapid changes and uncertainty require quick organisational reactions and adaptations, which are linked to innovation.

Taking into account the findings of the preceding studies and the role of environmental factors on the relationship between innovation activities (product and process innovation) and the business performance in organisations, the question that was asked is: do business environmental factors (environmental dynamism and environmental competitiveness) influence the relationship between service innovation practices and business performance of MVRs?

Therefore, based on the above question, the following hypotheses were developed and tested in the current study and were formulated as follows:

H4: Environmental competitiveness moderates the relationship between service innovation practices and business performance such that the higher the environmental competitiveness, the weaker the relationship between the service innovation practices and business performance of MVRs.

H5: Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the stronger the relationship between the service innovation practices and business performance of MVRs.

The next section presents the theoretical model derived from the literature.

4.3 THEORETICAL MODEL DEVELOPMENT

Figure 4.1 on the next page illustrates the theoretical model showing all the variables used in the hypotheses to make the current study meaningful. Figure 4.1 shows that there were six research variables in the current study, namely, service innovation (practices), business performance (profit growth, competitiveness, and organisational reputation), and environmental factors (environmental competitiveness and environmental dynamism).

In addressing research question four, namely, to determine the employees' perceptions regarding the influence of service innovation practices on business performance (profit maximisation/growth, organisational competitiveness, and organisational reputation) of MVRs. Therefore, service innovation practices is considered to be a predictor variable and business performance (profit growth, organisational competitiveness, and organisational reputation) are dependent variables.

In addressing research objective five, namely, to examine the role of environmental dynamism and environmental competitiveness as factors that affect or moderate the influence of service innovation practices in delivering the business performance of MVRs in the motor vehicle industry. Thus, environmental competitiveness and environmental dynamism are moderating variables.

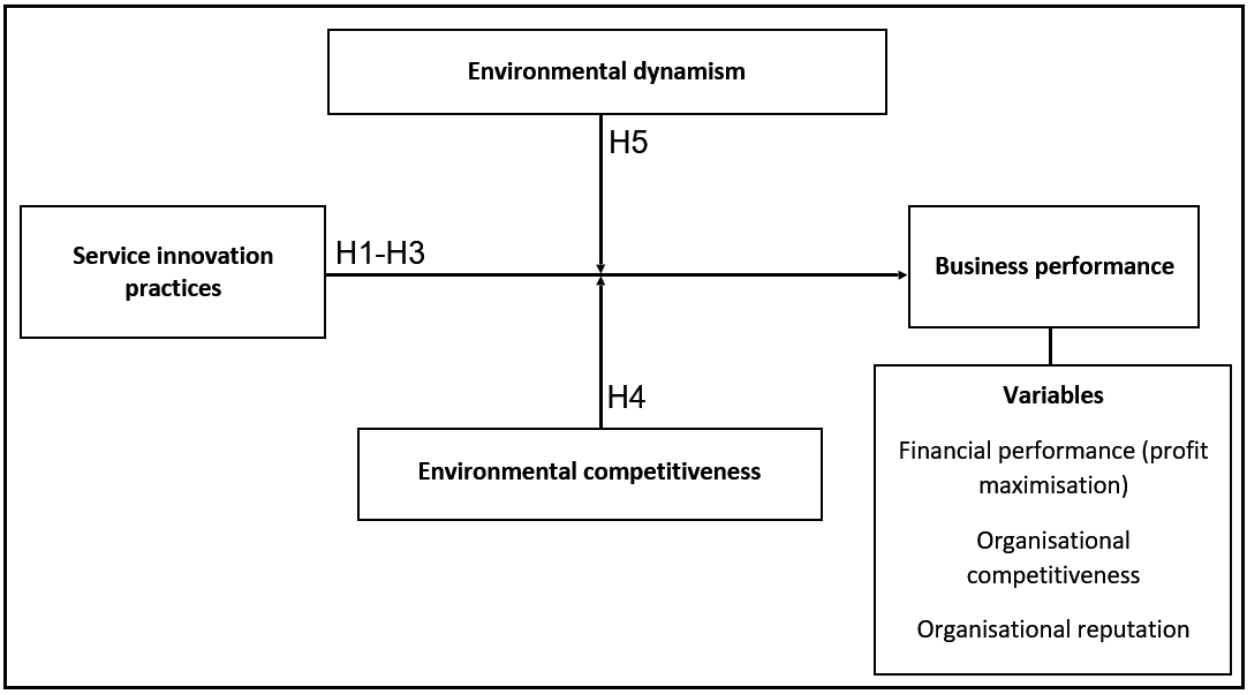

Figure 4.1: Hypothesised theoretical model of service innovation practices and variables

Source: Author's own compilation

The next section provides a summary of the discussion in this chapter.

4.4 CHAPTER SUMMARY

This chapter presented the development of the proposed theoretical model of this study. The proposed theoretical model was developed with the purpose of addressing the research objectives of this study as outlined in Chapter 1. The next chapter

addresses the research methodology followed in this study and depicts the selected research design, research paradigms, data collection method, sample plan, data analysis, and statistical techniques that were used to empirically test the proposed theoretical model. In addition, ethical considerations observed in the current study are outlined.

CHAPTER 5:
RESEARCH METHODOLOGY

5.1 INTRODUCTION

The focus of this chapter is on the research methodology followed in the study and the ethical considerations adhered to while conducting the study. As explained in the first chapter of this thesis, the research problem of this study is stated as follows: A lack of knowledge in academic literature on the implementation of innovation practices, specifically, service innovation practices and the influence on business performance in retail organisations, and a lack of knowledge regarding the business environmental factors that influence the relationship of service innovation practices on the business performance of retail organisations, in the context of a developing market economy such as in South Africa, in the case of MVRs.

This chapter discusses the research methodology that was followed to address the research problem of this study. The components of the research methodology are first discussed, including the research problem, the research objectives, types of data (secondary and primary data), research design, a comparison of quantitative and qualitative research, sampling, and the data collection methods that the study adopted. The chapter concludes by discussing the data analysis of the qualitative and quantitative data, the evaluation of the quality of the data, data presentation, and the ethical considerations observed in this research.

5.2 RESEARCH PROCESS FOLLOWED IN THIS STUDY

Saunders, Lewis and Thornhill (2019:130) alluded that there are stages involved in development of a research work which comprises of layers to give a detailed description. Saunders *et al*. (2019:131) argues that a researcher has to from the outer layer to the inner one in describing steps of a research process. The outer layer is identified research philosophy followed by the research approach as a second layer, research strategy as the third layer, time horizon as the fourth layer, data collection and data analysis as the fifth layer (Saunders *et al*., 2019:131). According to Saunders *et al*. (2019:131) time horizon explains the time frame over which the researcher undertakes the research either as cross-sectional or longitudinal. In the context of this research, cross-sectional time horizon was chosen as the data was collected within

one-year period and respondents participated once in the study. Despite the approach suggested by Saunders *et al*. (2019:130-131), Zikmund and Babin (2010:57) pointed out that all researchers do not follow the same process when doing research, and that while the steps in the research process may overlap, there is no right or wrong number of steps (Berndt & Petzer, 2014:25). For the purposes of this study, the steps in the research process, as highlighted in Figure 5.1 below, guide the flow of this chapter. Each of these steps is discussed in this chapter, providing the theoretical basis and application for this study and justification. The various types of research design are discussed, followed by a discussion of the research paradigm followed in this study. Thereafter, the types of research approach and the types of data are explained in detail. A comparison of quantitative and qualitative research approaches is provided, followed by a justification for the chosen research approach (a mixed-method qualitative and quantitative research) in the current study.

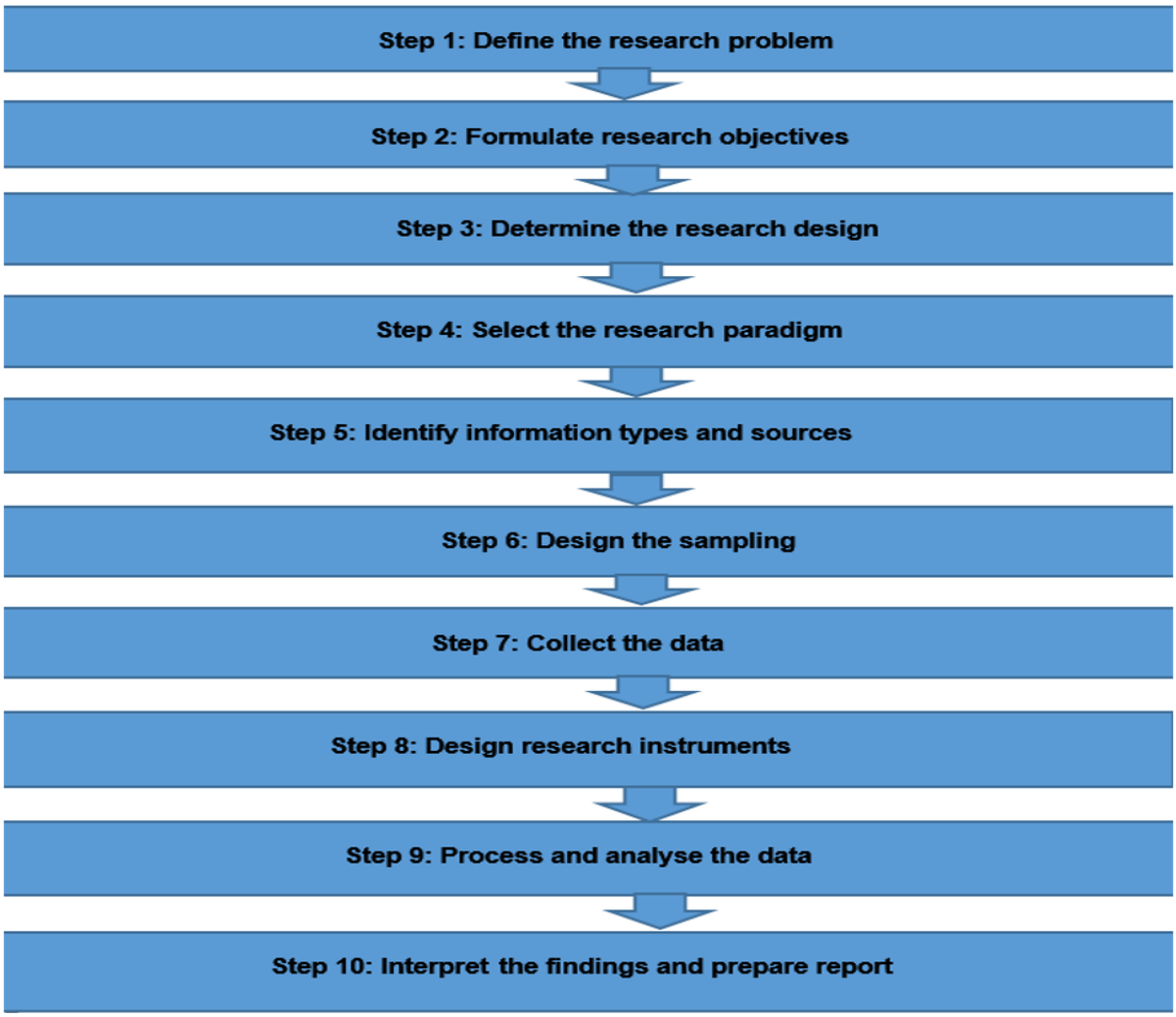

Figure 5.1: Steps in the research process

Source: Adapted from Leedy & Ormrod (2014:6); Berndt & Petzer (2014:25); McDaniel & Gates (2010:50); Tustin *et al.* (2005:76).

5.2.1 Research problem

Leedy and Ormrod (2014:6) explain that the research process is cyclical in nature, and it begins with a research problem which relates to an unanswered question in the mind of the researcher. Berndt and Petzer (2014:26) posit that defining the research problem is the starting point for any research project, and it determines what information is necessary to solve the problem at hand, and how that information can be acquired effectively. To define the research problem is considered as a critical step in the research process (Leedy & Ormrod, 2014:6; Malhotra, 2010:45).

Leedy and Ormrod (2014:30) maintain that the research problem can be discovered through a careful perusal of the existing literature, and they emphasise that this literature study is an essential strategy to enable the researcher to determine what is already known about the topic of interest. The research problem for the current study was determined from gaps that were identified in the existing literature, as well as the declared need for information on the implementation of innovation activities (Bellini *et al.*, 2017:100). The research problem in the current study is linked to a lack of knowledge in academic literature on the implementation of innovation practices, specifically, service innovation practices. In addition a lack of knowledge has been identified in the literature on the business environmental factors that influence the relationship of MVRs' service innovation practices and their business performance (Prajogo, 2016:248), specifically, in the context of a developing market economy such as in South Africa.

5.2.2 Establish the research objectives

According to Berndt and Petzer (2014:28), the research objectives specify exactly what the research aims to achieve, and, if effectively formulated, these objectives may serve as the road map to a research project (McDaniel & Gates, 2010:48). The research objectives provide the benchmarks by which the success or failure of the research can be measured, and can be divided into primary and secondary research objectives (Berndt & Petzer, 2014:28).

The primary objective serves as the main outcome the study aims to achieve, and the secondary objectives are associated with the primary objective. The primary and secondary objectives of this study are outlined in the following sub-sections.

5.2.2.1 Primary research objectives

The three primary purposes of the study are: to gain insight into the implementation of innovation practices, specifically, the service innovation practices of MVRs in Gauteng, South Africa, and to determine the employees' perceptions regarding the influence of MVRs' service innovation practices on business performance (profit growth/maximisation, organisational competitiveness and organisational reputation). Thirdly, to determine the influence of environmental factors (environmental dynamism and environmental competitiveness) on the relationship of service innovation practices and business performance (profit growth/maximisation, organisational competitiveness and organisational reputation) of MVRs in the motor vehicle industry.

5.2.2.2 Secondary research objectives

Leedy and Ormrod (2014:36) highlight that most research problems are too large or complex to be solved without sub-dividing. To achieve the primary objectives of this study, the following empirical secondary objectives were formulated:

- To gain insight into the implementation of MVRs' service innovation practices.
- To determine the drivers of MVRs' service innovation practices.
- To identify the barriers that hinder the implementation of MVRs' service innovation practices.
- To determine how MVRs measure the influence of service innovation practices on business performance.
- To determine employees' perceptions regarding the environmental factors that can influence the relationship between MVRs' service innovation practices and business performance.
- To determine the employees' perceptions regarding the influence of service innovation practices on the business performance (profit growth/maximisation, organisational competitiveness, and organisational reputation) of MVRs.
- To determine employees' perceptions regarding the moderating role of environmental dynamism on the relationship between MVRs' service innovation activities and business performance (profit growth/maximisation, organisational competitiveness, organisational reputation).
- To determine employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between MVRs' service

innovation activities and business performance (profit growth/maximisation, organisational competitiveness, organisational reputation).

5.2.3 Research design

The research design is viewed as the procedures for collecting, analysing, interpreting, and reporting data in research studies (Creswell & Plano-Clarke, 2011:53). According to Berndt and Petzer (2014:31), the research design is defined as the plan that a research will follow to achieve the research objectives, and provides a framework for collecting and analysing the data (Zikmund & Babin, 2010:64).

There are three main types of research design, namely, exploratory, descriptive and causal research (Zikmund and Babin, 2010:50; Malhotra, 2010:83). The research designs adopted in this research are discussed in the next sub-sections.

5.2.3.1 Exploratory research design

Exploratory research helps to illuminate ambiguous situations or to discover ideas that might create prospective business opportunities (Zikmund & Babin, 2010:50). Berndt and Petzer (2014:45) point out that an exploratory research design assists the researcher to better understand the background of the research problem. Malhotra (2010:104) shares the same view by emphasising that an exploratory research design is useful when the researcher requires more information about a specific problem, opportunity or phenomenon.

For the purposes of this study, an exploratory literature review was valuable in that it created insight into the research problem and increased the understanding of the concepts of innovation and service innovation. In addition, an exploratory qualitative research was used to address the first four secondary research objectives, namely, to gain new insight into the implementation of service innovation activities, to determine the drivers of service innovations in service organisations in a retail context (MVRs), and to determine employees' perceptions regarding the influence of service innovation practices on MVRs' business performance. Lastly, exploratory qualitative research was used to determine employees' perceptions regarding the environmental factors that can moderate the relationship between MVRs' service innovation practices and business performance.

5.2.3.2 Descriptive research design

Descriptive research is constructed to answer the 'who', 'what', 'where', 'when' and 'how' questions (Tustin *et al.*, 2005:86), and indicates how variables are associated (Berndt & Petzer, 2014:32). Descriptive research also describes the specific details of a position, situation, participants or phenomenon. According to Zikmund and Babin (2010:51), a descriptive research design aims to create a picture of a given situation by describing objects, people, organisations or the environment. For the purposes of this study, descriptive quantitative research was used with the aim of determining employees' perceptions on the influence of MVRs' service innovation practices on their business performance, and to determine employees' perceptions regarding the role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between MVRs' service innovation practices and business performance.

The next sub-sections presents a discussion of the research paradigm selected for the current study.

5.2.3.3 Research paradigm

A research paradigm is viewed as a general organising framework for the theory and research that includes basic assumptions, key issues, models of quality research, and methods for seeking answers Neuman (2011:81). Saunders *et al*. (2019:150) point that selecting between positive or interpretive position may be unrealistic and proposed that other philosophical positions of scientific research such as pragmatism can be adopted. The pragmatism framework was selected as the best suited research paradigm to explore the implementation of MVRs' service innovation practices and the influence of these practices/activities on business performance by adopting a mixed-method research approach. It is also seen as an effective framework to employ when multiple data-collection methods are utilised.

Morgan (2007:71) states that a defining feature of pragmatism is the "emphasis on 'what difference it makes' to believe one thing versus another or to act one way rather than another". Furthermore, Creswell (2014) outlines that the pragmatism framework asserts that, "truth is what works at the time" (Creswell, 2014:11). As such, pragmatism appealed to the researcher, as the goal of this research is to answer 'what' and 'why' service innovation practices or activities are being implemented in the retail context, specifically, in MVRs operating in the South African context.

Morgan (2007:71) also explains that the pragmatic approach relies on abductive reasoning that moves freely “back and forth between inductive and deductive” reasoning. He continues to support the use of pragmatism in mixed-methods research “where the inductive results from a qualitative approach, and vice versa” (Morgan, 2007:71). It is this “vice versa” or “back and forth” that benefited this research, as the qualitative data aimed to identify the ‘what’ of service innovation practice (types of service innovation activities implemented by MVRs) and it helped to form the qualitative questions that discovered the ‘why’ (reasons why service innovation activities are being implemented in MVRs with regard to the effect on business performance). The appeal of the pragmatism framework lies in the flexibility of using a wide variety of methods for data collection. The researcher believes that using qualitative data to attempt to discover the reasons for a phenomenon is a valid endeavour, but it is also necessary to determine the effect of the phenomena by using quantitative data collection methods. Therefore, combining qualitative and quantitative research in a mixed-method approach can reveal the patterns that exist and how they relate to one another.

In relation to this study, quantitative research was employed to determine employees’ perceptions regarding the influence of MVRs’ service innovation practices on their business performance, and further, to determine the influence of environmental factors on the relationship between MVRs’ service innovation practices and business performance in a South African context. The researcher acknowledges Creswell’s view that the pragmatist believes that research takes place in the historical, political, and social context of that time (Creswell, 2014:11). Therefore, it is accepted that similar research in a different context may uncover different results on a specific topic. This could specifically, become evident in trying to discover the ‘why something works’ in one setting, which may not suffice or work in a different setting. This world view is a practical example of the “real world practice orientation” that is characteristic of pragmatism (Creswell, 2014:6).

The next section discusses information types and sources, indicating the research approached used in the study.

5.2.4 Information sources

During the research process, the researcher needs to identify the type of data, sources of data, how the data is to be obtained, and determine where the data is located (Leedy

& Ormrod, 2014:82). It is always important for the researcher to determine whether the research objectives can be achieved through the use of secondary data to eliminate the need for collecting primary data. However, if the availability of secondary data is limited, the researcher may undertake the collection of primary data (Malhotra, 2010:133).

In order to achieve the objectives formulated for the current study, the researcher chose to use both secondary and primary data. Secondary data, as indicated, includes information that has been collected for some purpose other than the research problem at hand (Leedy & Ormrod, 2014:80; Malhotra, 2010:132; Tustin *et al.*, 2005:88). The use of secondary data has the advantage that it provides the necessary background information to the particular problem or research study at hand (Leedy & Ormrod, 2014:80).

Secondary data may be obtained from internal and external sources. Internal sources refer to the information available within the organisation, for example, company records, annual reports and sales records (Malhotra, 2010:138), while with external sources, the researcher acquires information from outside sources, for example, websites, libraries, professional marketing research institutions, trade associations, commercial publishers, non-profit organisations and universities (Malhotra, 2010:140; Tustin *et al.*, 2005:88).

The use of secondary data is characterised as a cost-effective method for obtaining information, and provides the researcher with a number of advantages (McDaniel & Gates, 2010:72). However, the limitations or disadvantages of secondary data should also be considered.

This research study used secondary data obtained from academic journals, trade associations, such as the Retail Motor Industry (RMI), National Association of Automobile Manufacturers of South Africa (NAAMSA), websites, and library sources. These secondary sources were used to provide an understanding of the background and to gain clarity on the research topic of interest.

Table 5.1 below provides an overview of the advantages and disadvantages that are linked to the use of secondary data.

Table 5.1: Advantages and disadvantages of secondary data

Advantages	Disadvantages
To clarify or better define the research problem	The data may not be available
Develops an approach to the problem	The data may not be relevant to the problem
Provides imperative background information and builds credibility for the research report	The data may lack accuracy
Can alert researchers to potential problems and/or opportunities	The data may be insufficient to solve the research problem
Answers certain research questions	The data can be outdated

Source: Adapted from McDaniel & Gates (2010:72); Malhotra, (2010:133)

For the purpose of this study, a literature review was undertaken, as described in Chapters 2, 3 and 4, using secondary data from published academic articles and prescribed textbooks on the topic. Chapter 3 provided an overview of the literature on innovation and discussed the applicable models, such as RBV and innovation management models. Chapters 2, 3 and 4 constituted a literature review discussing the key concepts of service innovation, and literature leading to development of the hypotheses tested in the current study.

After a review of the existing literature, primary data was collected, in order to achieve the research objectives, namely, to explore or understand the relevant key concepts in this study, innovation concepts, and determine employees' perceptions regarding the influence of innovation on the business performance of MVRs. Primary data refers to the information which is collected specifically to address the research problem at hand (Malhotra, 2010:132) and is usually collected when secondary data does not answer the research question (Tustin *et al.*, 2005:89). According to Malhotra (2010:132) obtaining primary data can be expensive and more time-consuming, but the data is generally more relevant to the research objectives when compared with secondary data. In collecting primary data, researchers need to determine the research approach to be followed: qualitative or quantitative (Leedy & Ormrod, 2014:100).

In deciding which research approach to use, the researcher needs to compare the quantitative and qualitative approaches in line with the research objectives and the type of research questions.

Table 5.2 below provides a comparison between qualitative and quantitative research. There are several differences between the two research approaches; however, the key to effectively using any of the two is to match the right approach to the right research framework (Zikmund & Babin, 2010:132).

Table 5.2: Qualitative versus quantitative research

Research facet	Qualitative research	Quantitative research
Purpose	Discovery of new ideas, thoughts or feelings; understanding of relationships, ideas and objects	The validation of facts, estimates, relationships and predictions
Types of questions	Probing, unstructured, open-ended	Limited probing, mostly structured
Sample size	Small	Large
Amount of information from each respondent/participant	Substantial	Fluctuates
Requirements of administration	Interviewer must have special skills	Interviewer with fewer special skills or no interviewer
Types of data analysis	Subjective and interpretative	Statistical and summation
Hardware or tools	Projection devices, video recorders, tape recorders, pictures, discussion guides	Questionnaires, computers, printouts
Researcher training	Psychology, sociology, social psychology, consumer behaviour, marketing, marketing research	Statistics, decision models, decision support systems, computer programming, marketing, marketing research
Types of research	Exploratory	Descriptive and casual

Source: Adapted from Zikmund & Babin (2010:133); McDaniel & Gates (2010:92)

Table 5.2 shows that there are important differences between quantitative and qualitative research based on its purpose, types of questions, sample size, amount or quantity of information, requirements of administration, type of data analysis, requirements in terms of hardware or tools, and types of research (Leedy & Ormrod, 2014:101; Zikmund & Babin, 2010:132).

The research factors that differentiate qualitative and quantitative research, as depicted in Table 5.2, are briefly explained as suggested by Zikmund and Babin (2010:133) in the sub-sections below:

- **Purpose**

  The purpose of the qualitative research approach is the discovery of new ideas, thoughts or feelings; understanding relationships, ideas and objects, while quantitative research is concerned with the validation of facts, estimates, relationships and predictions.

- **Type of questions**

  Qualitative research uses open-ended, unstructured and probing questions, while quantitative research mostly uses closed-ended questions, and limited probing.

- **Sample size**

  Qualitative research allows the use of a small sample size, however, it offers thick descriptions of the subject of interest, while quantitative research requires a larger sample size. During the qualitative phase of this study, eleven (11) MVRs were targeted, and ten (10) managers involved in the planning and implementation of service innovation activities from different MVRs served as participants until the saturation point was reached.

  This study selected 300 respondents to participate in the survey (minimum of 5 respondents and maximum of 10 respondents in each MVR) during the quantitative phase. 268 respondents from different MVRs operating in Gauteng Province participated in the survey. 100 questionnaires were distributed for completion in each of the three cities of interest, namely; City of Tshwane, City of Johannesburg, and City of Ekurhuleni.

- **Amount of information from each participant**

  Qualitative research produces in-depth information, while quantitative research produces varied results, as the information fluctuates.

- **Requirements of administration**

  Qualitative research requires a skilled interviewer, as the interviewer serves as an important instrument in the data-collection process, while quantitative research can be conducted by an interviewer with fewer special skills.

- **Type of analysis**

  The data analysis of qualitative research is subjective and interpretative, while the data analysis of quantitative data is statistical and it requires summation. In this study, descriptive data analysis was conducted with the aid of SPSS data analysis version 25 software package.

- **Hardware or tools**

  Projection devices, video recorders, tape recorders, pictures, and discussion guides are used in qualitative data collection, while the quantitative data is collected using questionnaires, print-outs and computers. In this study, a self-administered questionnaire was used during data collection.

5.2.4.1 Types of research

Qualitative research tends to be exploratory in nature, while quantitative research tends to be descriptive and causal in nature. During the primary data collection, the most suitable research approach in the form of quantitative or qualitative research and the appropriate primary data-collection method must be selected (Berndt & Petzer, 2014:32; Tustin, 2005:89).

Based on the consideration of the differences explained above, both qualitative and quantitative research approaches were followed in the current study. Therefore, in the current study a mixed-method research was deemed appropriate to address the research objectives, namely, to gain insight into the implementation of MVRs' service innovation practices through qualitative inquiry, and to follow a quantitative research approach to determine employees' perception regarding the influence of MVRs' service innovation on their business performance, and to determine employees' perceptions regarding the influence of environmental factors on the relationship between the service innovation practices and business performance of MVRs.

A mixed-method research is the type of research in which a researcher combines elements of both the qualitative and quantitative research approaches in the data collection and data analysis, for the purposes of obtaining an in-depth understanding of the research problems (Creswell & Plano-Clarke, 2011:4).

The mixed-method research used in this study was sequential, the first phase involved qualitative research which was followed by quantitative research. A sequential mixed-method research requires of the researcher to use one research method after the

other. The qualitative phase of this study enabled the research to attain an understanding of the service innovation activities implemented by MVRs, which in turn, informed the quantitative phase regarding the environmental factors that can moderate the relationship between these innovation activities/practices and business performance.

The next section briefly explains the data-collection methods that were used in the qualitative and quantitative phases of this study.

5.2.5 Design or plan the sample

This section outlines the design of the sample, and this includes a discussion of the target population, sampling method, and the sample size used during the qualitative and quantitative phases of this study.

5.2.5.1 Target population

Berndt and Petzer (2014:33) explain that once the researcher knows what information is needed to address the research objectives, a decision needs to be taken about who the best people would be from whom to collect the required information, and then to develop a sampling plan.

The term ‘sampling plan’ refers to a number of steps that are taken to ensure that the sample used in the data-collection process represents the target population of the study (McDaniel & Gates, 2010:328). The term ‘population’ refers to the combination of all the elements in any case or group of units, be it people, stores, or university students that share a general set of characteristics that encompasses the purpose of the research problem and upon which generalisations can be made (Henn, Weinstein & Foard, 2009:153).

For the purposes of this study, the target population consisted of the managers, senior marketing staff and customer-contact employees of MVRs who were involved in the planning and implementation of service innovation activities. The survey was conducted in the province of Gauteng in South Africa. To ensure that appropriate respondents, fitting the selection criteria, were selected to participate in the study, the researcher had to screen respondents to determine their suitability for participation in the study before in-depth interviews and providing them with the self-administered questionnaires.

5.2.5.2 Sampling method

A non-probability purposive sampling was used in this study. Non-probability sampling means that the probability of selecting a single individual is unknown, and the researcher selects participants based on his/her judgement (Malhotra, 2010:102). Purposive sampling method means that participants are selected because of some defining characteristics that make them the holders of the data needed for the study (Brendt & Petzer, 2014:174).

A purposive sampling method was best suited for the current study as it allowed the researcher to draw participants from the population who possessed the richest information based on their positions in their respective organisations, and consequently this presented a greater possibility that they would be able to answer the research questions.

While the population can be defined as the total group of persons or entities from whom information is required (Tustin, 2005:337), the target population can be defined as the collection of elements that possesses the information sought by the researcher (Malhotra, 2010:372). The target population comprised the managers, senior marketing staff, and customer-contact employees who were available to participate in the study, considering their respective involvement in the planning and implementation of service innovation practices or activities of MVRs operating in Gauteng, South Africa.

5.2.5.3 Sampling size

The term ‘sample size’ refers to a sub-set of elements from a large group of the population (Salkind, 2012:95). A quantitative study requires a large sample size (Cooper & Schindler, 2011:374), while a small sample is adequate for qualitative research where there are no fixed rules for determining the sample size (Brynard & Hanekom, 2006:56).

In the qualitative phase of this study, eleven MVRs were targeted, and ten managers involved in the planning and implementation of service innovation activities from different MVRs served as participants until the saturation point was reached. The current study aimed to use a large sample size in the quantitative phase, as 300 respondents from MVRs were targeted. A minimum of five and a maximum of ten respondents were drawn from each MVR, depending on the organisation’s size (in terms of employees involved in the implementation of innovation activities). The

purpose was to ensure equal representation from MVRs in the total targeted sample size during the quantitative phase.

Furthermore, in establishing an appropriate sample size, an analysis was undertaken of the sample sizes used by previous researchers in similar studies, such as that of Al-Ansari (2013) (sample size of 200), Bligliardi (2013) (sample size of 98); Cheng *et al.* (2014) (sample size of 121); Prajogo (2016) (sample size of 228) Agostini and Filippini (2017) (sample size of 150). Considering the sample sizes used in the preceding studies, a sample of 300 respondents was considered sufficient for the analysis of data to generate reliable findings.

Again, following the advice of Malhotra (2010:375), the selected sample size of the current study was influenced by the nature of the research and the standard sample size of similar studies. The nature of this study is viewed as exploratory and descriptive research, which requires a typical sample size of 300 to 500 (Malhotra, 2010:375). However, Cooper and Schindler (2011: 374) argue that a large sample is expensive. Despite this argument, this study aimed to achieve a 95% confidence which is frequently used, and accepted a 10% error at a low budget.

South Africa has approximately 1 374 new motor vehicle retail outlets, and 1 696 used vehicle motor vehicle retail outlets (AIEC 2014:87). The total of both new and used motor vehicle retail outlets amounts to 3 070 which is close to 3000, and the sample size of 300 targeted in this study is sufficient as it also represents 10% of the total population of the sample frame.

5.2.5.4 Sampling frame

The sample frame for the current study is discussed below.

The motor vehicle retailers (MVRs) were selected from the member list of the Retail Motor Industry (RMI), which is a member list of accredited dealerships (as the sample frame). Using the contact details from the RMI member list, the dealership managers of MVRs within the borders of Gauteng were phoned and sent e-mails by the researcher to explain the purpose of the study. The map of Gauteng was used to ensure that the dealerships that were selected operate within the borders of the province.

The dealership managers were first asked for a convenient time for the interviews that were conducted during the qualitative phase. However, in some instances, after

briefing the managers of MVRs about the purpose of the research during the first meeting, these managers indicated the availability of one of their management team members for participation, or provided the researcher with the contact details of other management staff to participate in the study on their behalf. More specifically, the in-depth interview participants were selected from different MVRs considering their respective involvement in the implementation of service innovation activities.

During the quantitative phase, the managers of MVRs were phoned to request permission to include their customer-contact employees in the study. Based on the permission granted by these managers, the researcher visited the MVRs to further explain the purpose of the study and distributed questionnaires for completion.

The distinct data-collection methods used in qualitative research and quantitative research are discussed in the next two sub-sections.

5.2.6 Data-collection methods in qualitative research

Qualitative research data takes into account the cultural, social, institutional, temporal, personal or interpersonal characteristics of the context in which the data is collected (Belk, Fischer & Kozinets, 2013: 3). Qualitative research is used to collect primary data with the aim of gaining insight into and understanding of a particular problem (Leedy & Ormrod, 2014:142; Malhotra, 2010:131).

In this case, qualitative research was employed to gain new insight into the implementation of service innovation practices/activities of MVRs. Qualitative research provides a detailed understanding of a problem; therefore, this qualitative understanding rises out of studying a few individuals and discovering their perspectives in great depth (Creswell & Plano-Clarke, 2011:8).

The three most commonly used qualitative research methods are observations, focus groups, and in-depth interviews. These qualitative research methods are discussed below with the justification of the best suited data-collection method adopted during the qualitative phase of this study.

5.2.6.1 Observations

The observation approach is the systematic process of recording the behavioural patterns of people, objects and occurrences without questioning or communicating with respondents (Tustin *et al.*, 2005:266). Observation research serves as an instrument for recording the data for the research study (Belk *et al*., 2013:57).

However, this data-collection method was not suitable for answering the research questions of the current study and attaining the research objectives.

5.2.6.2 Focus groups

Focus groups involve bringing together a small group, usually consisting of 6 to 12 participants, for an informal and interactive discussion on a specific topic (Zikmund & Babin, 2010:141). A focus group is usually led by a trained moderator who instigates dialogue among the participants on a specific topic (Berndt & Petzer, 2014:92). The purpose of a focus group is to gain deeper insight by listening to a group of people talk about issues of interest to the researcher (Malhotra, 2010:173). Although this data-collection method could have been used to collect the primary data, it was not possible for this study to bring a group of participants together to answer the research questions and attain the research objectives.

5.2.6.3 In-depth interviews

An in-depth interview is an interaction or discussion between an individual interviewer and a single, or more, participant(s) on a specific topic or topics (Berndt & Petzer, 2014:91). According to Malhotra (2010:185-186), semi-structured in-depth interviews allow the interviewer to uncover underlying motivations and to probe deeper into a particular topic. The aim of an in-depth interview is to probe and stimulate answers to the research questions (McDaniel & Gates, 2010:107). The advantages of using in-depth interviews are that it attributes the responses directly to the respondent, and it results in the free exchange of information because there is no social pressure to conform to group responses. However, its disadvantage is time constraints (Malhotra, 2010:188).

This data-collection method was deemed to be suitable for answering the research questions and attaining the research objectives of the current study, namely, to gain insight into the implementation of MVRs' service innovation practices.

The following guidelines, as suggested by Yin (2011:135-139) and Saunders *et al.* (2009:136), when collecting the primary data through in-depth interviews, were taken into account:

Approaching the managers for consent to conduct interviews

Each of the selected participants was phoned by the researcher to explain the purpose of the study, and to ensure them of the confidentiality of the information provided. The participants were asked for a convenient time for a first meeting. In most cases, the researcher met the participants at least two weeks prior to the interview, during which time they were informed of the expected length of the interviews. In one case, a prior meeting was not possible due to the participant's time constraints, but the person agreed to be briefed telephonically.

Finding a suitable location for in-depth interviews

The researcher arranged a time and date most suitable for an interview with each of the participants. All the participants were briefed either telephonically or in person about the research objectives of the study, and the research topic was emailed to the participants. This was done to ensure that the researcher and the participants were at ease and prepared for the interview. An added reason was to build rapport and establish a relationship before the data collection began. Before each individual interview began, the motivation for the research was explained to the participant to put them at ease.

The use of an interview guide during in-depth interviews

According to Malhotra (2010:185), in-depth interviews in qualitative research entail a discussion between the researcher and the participant, using an interview guide or interview schedule with several open-ended questions to provide the topics that need to be discussed. The order of the topics is flexible, as long as all topics are covered during the interview.

Therefore, this kind of interview is generally considered 'unstructured', in contrast to the highly structured questionnaire and process used in quantitative interviewing, and it allows the interviewer to probe for further information. Boyce and Neale (2006:11) explain that an interview guide provides the topics of subject areas within which the interviewer is free to explore, probe, and ask questions that will clarify and explain that particular subject. The interview guide directs the administration and implementation of the interview process to ensure consistency across the interviews; and thus, to increase the reliability of the findings. Skilled interviewers are guided by the natural flow of information, rather than by constantly referring back to the questions prepared

in the interview guide; the interviewers just occasionally check whether all the topics or themes required are being addressed.

Translate the information needed into question

Malhotra (2010:335) points out that a questionnaire should translate the information needed into questions that the respondents can and will answer. For the purposes of the current study, the information that was required would attain the following research objectives:

Firstly, to gain insight into the implementation of service innovation practices of service organisations in the case of Motor Vehicle Retailers (MVRs);

Secondly, to determine the drivers (internal and external) of MVRs' service innovation;

Thirdly, to identify the challenges/ barriers experienced by MVR in implementing their service innovation activities/practices;

Fourthly, to determine how MVRs measure the influence of service innovation practices on their business performance;

Lastly, to identify possible environmental factors that can influence the relationship between MVRs' service innovation practices and their business performance.

These secondary objectives enabled the researcher to structure the types of questions that were included in the question guide.

Table 5.3 shows how the secondary objectives of this study were aligned with the questions that were formulated to achieve those objectives (see Appendix B for the interview question guide). However, Questions 1 and 2 of the interview question guide were background questions, meant to obtain information about the background of the dealership, and the job description of the participants and their experience within the motor retail industry.

Table 5.3: Link between secondary objectives and interview questions

Secondary objectives	Questions achieving each objective	Type of question
To gain insight into the implementation of service innovation practices/activities.	**Question 3** What type of service innovation activities are implemented by MVRs? Please explain your answer (in terms of how are these activities are implemented, why you are using/or not using these/other service innovation activities?)	Open-ended
To determine the internal drivers of service innovation of MVRs. To determine the external drivers of MVRs' service innovation.	**Question 4** What are the internal drivers of service innovation in your MVR? Please explain your answer **Question 4** What are the external drivers of service innovation in your MVR?	Open-ended
To identify the challenges/ barriers experienced by MVRs in implementing the service innovation activities/practices.	**Question 5** What are the challenges you have experienced in implementing your organisation's service innovation activities? Please explain your answer.	Open-ended
To determine how MVRs measure the influence of service innovation practices on business performance.	**Question 6** How is the influence of service innovation practices on the business performance of MVRs measured?	Open-ended
To determine employees' perceptions regarding the environmental factors that can influence the relationship between MVRs' service innovation practices and business performance.	**Question 7** What are the possible environmental factors that influence the relationship between service innovation practices and business performance of your MVR? Please explain your answer, giving reasons.	Open-ended

The first interview served as a pilot, and afterwards it was reviewed, Question 3, as indicated in Table 5.3, was rephrased and clarified to enable the participants to answer the research question. In addition, through the use of the interview guide, the researcher gained confidence in conducting the interviews, and became more skilful at probing for more information, and the researcher gradually became more sensitive to the flow of the conversation.

The in-depth interviews with managers and senior marketing staff involved in the MVRs' planning and implementation of service innovation activities were conducted

by using an interview guide, to ensure that all the issues considered crucial to the study were covered accordingly (See Appendix B for the detailed interview question guide).

According to Boyce and Neale (2006:11-12), an interview guide should include the following components, namely: introduction, questions, and closing. The interview guide for the current study consisted of the introduction, opening question, and questions on general issues, accompanied by probing questions and a closing.

In the introductory phase, the researcher and the participants greeted and engaged in some informal conversation. The purpose of the interview was explained briefly by the researcher again. Moreover, informed consent was confirmed by explaining that the data and the identity of the participant were confidential; and permission to record the conversation was also requested (see Appendix B).

5.2.7 Data-collection methods in quantitative research

Quantitative research involves the collection of primary data from a large number of respondents with the intention of generalising about a specific population, and the findings are subjected to mathematical analysis (Malhotra, 2010:133). According to Tustin *et al.* (2005:89), quantitative research generally makes use of closed-ended questions (responses that allow respondents to choose between two or more answers). Quantitative research data-collection methods include observations, experiments and surveys. Experiments and surveys, as data-collection methods, are discussed below with the justification of the best suited data-collection method adopted during the quantitative phase of this study.

5.2.7.1 Experiments

Experiments are relevant when the researcher manipulates one or more independent variables and measures their effect on one or more dependent variables (Malhotra, 2010:253). Experimentation allows the researcher to demonstrate that a change in a dependent variable may be attributed solely to the change in an independent variable (Tustin *et al.*, 2005:301). This data-collection method was not suitable for the purpose of the current study as it could not answer the research questions and help to attain the research objectives.

5.2.7.2 Surveys

Surveys involve collecting primary data using structured questions that require respondents to choose from a set of predetermined answers. The predetermined questions can be asked verbally, in writing, or via computer (Malhotra, 2010:211). According to Tustin *et al.* (2005:144), surveys can be categorised into two types, namely, interviewer-administered and self-administered surveys.

A survey was selected as the data-collection method most suitable for collecting the primary data during the quantitative phase of the current study, as it was able to meet the research objectives of the current study, namely, to determine employees' perception regarding the influence of MVRs' service innovation practices on their business performance, and to determine employees' perception regarding the influence of environmental factors on the relationship between the service innovation practices and business performance of MVRs.

There are the following types of surveys:

- Interviewer-administered surveys: this type of survey uses a paper questionnaire with the aid of interviewer. It has the disadvantage that it is time-consuming (Tustin *et al.*, 2005:144).
- Telephone interviews: this type of survey is conducted over the telephone in which a trained interviewer asks the participant questions and makes a record of his/her responses (Cooper & Schindler, 2008:223). It is usually faster and cheaper than personal interviews due to reduced travelling costs and administrative savings from training interviewers and supervision (Tustin *et al.*, 2005:144).
- Self-administered surveys: this type of survey allows respondents to complete the questionnaires themselves (Tustin *et al.*, 2005:184). Self-administered surveys can be mailed, faxed or computer-delivered to respondents (Cooper & Schindler, 2008:711). This data-collection method was selected for use in this study as it allows respondents to complete questions without the interviewer's interference, and thus reduces interviewer bias.

5.2.8 Data-collection instrument

The measuring instrument used was a self-administered structured questionnaire which included some adapted items from previously tested measuring instruments. A self-administered questionnaire was suitable for this study as the respondents were

able to complete the questionnaire on their own. The advantage of using a self-administered questionnaire is that it allows respondents to complete the questionnaires themselves (Tustin *et al.*, 2005:184). In addition, the advantage of self-administered surveys is that a questionnaire can be mailed, faxed or computer-delivered to respondents (Cooper & Schindler, 2008:711).

The self-administered questionnaire used in the current study was pretested on at least ten respondents to detect and avoid problems regarding the structure, readability and understandability of questions. Pretesting of a questionnaire refers to the process of testing a questionnaire on a small sample to identify and eliminate potential problems (Malhotra, 2010:354). For the purposes of this study, the entire questionnaire was pretested to ensure that the questions in the self-administered questionnaire were understood by respondents.

After pretesting, the following changes were made to the self-administered questionnaire:

- Section B: the question statement “our organisation develops new ways of establishing relationships with customers” was repeated and the duplicate statement was removed.
- Section C: the question statement “Stakeholders are aware that our organisation supports good causes” was removed from the questionnaire as it appeared to be confusing the respondents.
- Section D: the two question statements “Our market is characterised by tight profit margins due to competitors’’ and “Our market is characterised by tight cash flows due to competitors” appeared to have a close meaning, and therefore, the second question statement was removed from the questionnaire to avoid confusion.
- A few more changes were made to the wording of question statements to make the questions clear and understandable for the South African context, for example, the words “in one year” were changed to “in the past year”.
- Section E of the pretested questionnaire was deleted, as the open-ended question was not answered by the 90% of respondents during the pretesting.

A revised self-administered questionnaires was, therefore, used in the quantitative phase of this study to collect the primary data from the respondents (see Appendix C for the questionnaire).

The next sub-section outlines the measurement scales utilised in the current study.

5.2.8.1 Measurement scale

It is important to be aware of the characteristics of scales as it determines the scale's level of measurement (Leedy & Ormrod, 2014:86; Malhotra, 2010:282) and not all scales capture the same richness in a measure (Zikmund & Babin, 2010:326).

The four primary types of scale measurement scales are: nominal, ordinal, interval, and ratio scales (Leedy & Ormrod, 2014:87; Malhotra, 2010:284). Each measurement scale is explained below.

- **Nominal scale**: A nominal scale possesses the characteristic of description as it only assigns labels or values to an object purely for identification and classification purposes (Leedy & Ormrod, 2014:87; Malhotra, 2010:284; Zikmund & Babin, 2010:326). As nominal scale questions only possess the characteristic of description, questions can refer, for example, to gender, yes or no questions, religion, buy or did not buy (Hair *et al.,* 2013:162; Zikmund & Babin, 2010:326).
- **Ordinal scale**: An ordinal scale provides the opportunity to determine the relative position of objects without indicating the magnitude of the differences between objects, making this scale a pure ranking scale (Leedy & Ormrod, 2014:87; Malhotra *et al.,* 2012:414). Examples of ordinal scales include questions that ask respondents to rate brands or organisations, or to rate a certain aspect as excellent, good, fair or poor (Zikmund & Babin, 2010:328).
- **Interval scale**: Interval scales measure the absolute differences between scale points by indicating how far apart the measured objects are from a certain aspect (Hair et al., 2013:163). A variety of statistical analyses can be applied to interval scales, although comparisons of the absolute magnitude of the measurements cannot be made across objects, since there is no absolute zero point, due to interval data only possessing order and distance characteristics (Proctor, 2005:168). An example of interval scales includes questions such as: How likely are you to recommend this product to a friend? Select your answer on a scale of 1 to 5, where 1 represents 'strongly disagree' and 5 represents 'strongly agree' (Hair *et al.,* 2013:164).

For the purpose of this study, nominal, ordinal and interval scales were used during the questionnaire design. Nominal scales achieve the objective of gaining descriptive

statistics relating to the data (Hair *et al.,* 2013:162), while ordinal scales enable the researcher to calculate summary statistics (Malhotra *et al.,* 2012:414) in order to determine the position and magnitude of differences between objects (Malhotra *et al.,* 2012:414). Interval scales were used in order to apply statistical analysis (compute the mean, standard deviation and correlation coefficients) and to determine the influence of service innovation practices on the business performance of MVRs (McDaniel & Gates, 2010:248-249).

The self-administered structured questionnaire included some adapted items from previously tested measuring instruments, for example, innovation activities/practices and business performance instruments from Prajogo (2016:246), Al-Ansari *et al.* (2013:170), Bigliardi (2013: 249), Al-Ansari (2014:350) and Chun (2005:102) were used. The question statements used to examine the moderating role of environmental dynamism and environmental competitiveness were adapted from Prajogo (2016:245).

The next sub-section discusses the types of responses.

5.2.8.2 Types of response formats

During the design of a questionnaire it is vital that the needed information is translated into questions through the use of the scales discussed in the previous section (Malhotra & Peterson, 2006:251). Such questions can either be open-ended or closed-ended (Proctor, 2005:199).

Open-ended questions or unstructured questions allow respondents to communicate their general attitudes or opinions, which in turn, enables the researcher to interpret the responses to form more structured questions (Malhotra, 2010:343), thus serving as a tool to start a questionnaire which is able to gain rich insights (Malhotra, 2010:343).

Closed-ended or structured questions are questions that pre-specify the set of response alternatives and response format, and require respondents to make a selection from a list of responses (McDaniel & Gates, 2010:297). Closed-ended questions can be classified into multiple-choice questions and scale-questions (Malhotra, 2010:344):

- Multiple-choice questions provide respondents with a choice of answers where they are asked to select one or more of the given alternatives closest to their own perspective (Malhotra, 2010:344; Zikmund & Babin, 2010:370).
- Scales present response choices to respondents to capture their intensity of feeling (McDaniel & Gates, 2010:299) and the resulting data is normally assumed to be an interval or ratio scale (Malhotra, 2010:289). Several such response formats exist.

This study used only closed-ended questions as they are easy to answer, require less effort, lead to lowered levels of interviewer bias, and increase the ease of tabulation and analysis (Aaker *et al.,* 2013:293; Malhotra *et al.,* 2012:464; McDaniel & Gates, 2010:297).

The next sub-section discusses the questionnaire design layout.

5.2.8.3 Questionnaire design layout

The questionnaire used in this study was attached to a consent form explaining the respondents' rights and the purpose for the study. The questionnaire comprised four sections: Sections A to D, as presented in Tables 5.4 to 5.7 below.

Section A of the questionnaire

The questionnaire started with Section A which included screening questions to ensure that all the respondents were over the age of 18 years and had the necessary experience to answer the research questions of the study. Section A consisted of six sections, and all the scaled items were measured on an ordinal scale and with open-ended questions. Table 5.4 below presents Section A of the questionnaire

Table 5.4: Screening questions

SECTION A: SCREENING QUESTIONS

Respondent gender
(Single mention only)

Male	1
Female	2

Respondent race
(Single mention only)

Black	1
Coloured	2
Indian	3
White	4

Please indicate which letter corresponds with your age group

(Single mention only)

d. < 18 years	1
w. 18 – 24	2
m. 25 – 34	3
t. 35 – 49	4
g. 50 +	5

Work experience in Motor Vehicle Retailing

(Single mention only)

< 3 years	1
3 - 5 years	2
6 - 10	3
11 - 20	4
21 years and above	5

Education background

I would to know your education background with regard to your school background (Single mention only)

Grade 11 and lower	1
Grade 12 and 1-2 years post-school qualification	2
Grade 12 and 3 years post-school qualification	3
Grade 12 and 4 years post-school qualification	4
Not mentioned above (Please specify: _____	5

Organisational background

I would to know your organisational background with regard to the age of your organisation. (Single mention only)

1-4 years	1
5- 10 years	2
11-20 years	3
21 years and above	4

Section B of the questionnaire

Section B required information on the service innovation practices or activities of the organisations. A 5-point Likert scale was used to indicate employees' level of agreement with the statements related to service innovation practices. The scales used in this study on service innovation practices were adopted from previous studies.

The question on the service innovation practices of MVRs was marked as question 7 on the questionnaire and consisted of 10 statements. The question statements used in this section of the questionnaire were adopted from previous studies (Al-Ansari *et al.*, 2013:170; Bigliardi, 2013:249; Al-Ansari, 2014:350) and further rephrased to suit the purpose of this study.

Table 5.5 depicts the question statements regarding service innovation practices.

Table 5.5: Service innovation practices/activities

SECTION B: SERVICE INNOVATION PRACTICES/ACTIVITIES

I would like to enquire about the service innovation practices of your organisation.

Indicate your level of agreement with the following statements related to service innovation practices by using the scale below and circling the appropriate number. (Single mention only)

Service innovation practices	**Strongly disagree 1**	**Disagree 2**	**Neither agree or disagree 3**	**Agree 4**	**Strongly agree 5**
Our organisation frequently tries new ideas in its service offerings	1	2	3	4	5
Our organisation is the first to introduce new service delivery methods	1	2	3	4	5
Our management seeks out new ways of doing things	1	2	3	4	5
Our organisation has creative ways of doing business	1	2	3	4	5

Our organisation is the first to introduce new services	1	2	3	4	5
Our organisation uses up-to-date technologies	1	2	3	4	5
Our organisation uses new marketing methods	1	2	3	4	5
Our organisation develops new ways of establishing relationships with customers	1	2	3	4	5
Our firm spends resources on research and development for new services delivery processes	1	2	3	4	5
Our organisation frequently introduces new management systems	1	2	3	4	5

Section C of the questionnaire

Section C of the questionnaire required information on the employees' perceptions regarding the influence of service innovation practices on the business's performance (namely, profit growth, organisational competitiveness, and organisational reputation of the MVR).

A 5-point Likert scale was used to indicate the level of agreement or disagreement. This question was marked as question 8 on the questionnaire and consisted of 17 question statements adopted from previous studies (Prajogo, 2016:246; Al-Ansari *et al.*, 2013:170; Bigliardi, 2013: 249; Al-Ansari, 2014:350; Chun, 2005:102), and further rephrased to align with the purpose of this study.

Table 5.6 shows the questions on the influence of service innovation practices on the business performance of MVRs.

Table 5.6: Service innovation and business performance

SECTION C: SERVICE INNOVATION PRACTICES AND BUSINESS PERFORMANCE
I would like to enquire about the influence of the service innovation practices of your organisation on the business performance.
Indicate your level of agreement with the following statements related to the influence of service innovation practices on business performance by using the scale below and circling the appropriate number. (Single mention only).

Business performance	Strongly disagree 1	Disagree 2	Neither agree or disagree 3	Agree 4	Strongly agree 5
Financial performance - Profit growth	1	2	3	4	5
Our organisation has increased profit margin in the market due to service innovation	1	2	3	4	5
Our organisation has increased sales growth of new service innovations	1	2	3	4	5
Our organisation has increased return on investment of new service innovation	1	2	3	4	5
Our organisation has increased market share of new service innovation	1	2	3	4	5
Financial performance - Organisational competitiveness	1	2	3	4	5
Our organisation has increased profit margin relative to competitors in the market	1	2	3	4	5
Our organisation has increased sales growth of new service innovations relative to competitors in the market	1	2	3	4	5
Our organisation has increased return on investment of new service innovation relative to competitors in the market	1	2	3	4	5
Our organisation has increased market share of new service innovation relative to competitors	1	2	3	4	5
Non-financial performance- Organisational reputation	**Strongly disagree 1**	**Disagree 2**	**Neither agree or disagree 3**	**Agree 4**	**Strongly agree 5**
Stakeholders admire our organisation	1	2	3	4	5
Stakeholders trust our organisation	1	2	3	4	5

Stakeholders stand behind our organisation's innovative services	1	2	3	4	5
Stakeholders are aware that our organisation maintains high standards in treating people	1	2	3	4	5
Stakeholders have good feeling about our organisation	1	2	3	4	5
Our organisation has excellent leadership that supports innovativeness	1	2	3	4	5
Stakeholders view our organisation as an organisation with strong prospects for future growth	1	2	3	4	5
Stakeholders are aware that our organisation is well managed	1	2	3	4	5
Our organisation looks like a good organisation to work for	1	2	3	4	5

Section D of the questionnaire

Section D of the questionnaire required information on the influence of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between the service innovation practices and business performance of MVRs.

This section included 5-point Likert scale question statements with the aim of indicating the employees' perceptions regarding their level of agreement or disagreement with the question statements.

The question statements used in this section of the questionnaire were adopted from the previous study by Prajogo (2016) and rephrased to align with the research purpose of this study.

Table 5.7 depicts the question statements in Section D which was marked as question 9 in the questionnaire. This question aimed to determine the moderating role of the above-mentioned environmental factors on the relationship between the service innovation practices and business performance of MVRs.

Table 5.7: Environmental factors influence

SECTION D: ENVIRONMENTAL FACTORS' INFLUENCE

I would like to enquire about the influence of environmental factors on the relationship between service innovation practices and the business performance of your organisation.

Indicate your level of agreement with the following statements related to the influence of service innovation practices on business performance by using the scale below and circling the appropriate number. (Single mention only).

Environmental factors	Strongly disagree ⇨ Strongly agree				
Environmental dynamism	**1**	**2**	**3**	**4**	**5**
Environmental changes in our market change fast	1	2	3	4	5
Our customers regularly demand new service offerings	1	2	3	4	5
In our market, changes are taking place continuously	1	2	3	4	5
In the past year, our market has changed significantly due to environmental instability	1	2	3	4	5
In the past year, volumes of products and services to be delivered to customers have changed fast and often	1	2	3	4	5
In the past year, our innovation business performance has changed due to economic instability in our market	1	2	3	4	5
Environmental competitiveness	**1**	**2**	**3**	**4**	**5**
Competition in our market is intense	1	2	3	4	5
Our organisation has relatively strong competitors	1	2	3	4	5
Our market is characterised by strong price competition	1	2	3	4	5
Our market is characterised by tight profit margins due to competitors	1	2	3	4	5
Our market is characterised by tight cash flows due to competitors	1	2	3	4	5
In the past year, our service innovation business performance has changed due to increased competition in our market	1	2	3	4	5

(The questionnaire used in collecting the quantitative data is attached as Appendix C.)

5.2.9 Process and analyse data

This section outlines the processing and data analysis of the current study during the qualitative and quantitative phases.

5.2.9.1 Data analysis during the qualitative phase

Data analysis is defined as the application of reasoning to understand the data that has been gathered (Wiid & Diggines, 2013:36). In the current study, the responses were transcribed in order to transform raw data into an understandable form for subsequent interpretation of the data. Content analysis was followed, as it ideally suited the purpose of this study, which aimed to understand the complex contemporary phenomenon of the implementation of service innovation strategies.

The steps, as described below, were followed during the qualitative content analysis as adapted from various authors (Henning, Van Rensburg & Smit, 2009:104-105; Leedy & Ormrod, 2014:150). These authors explain that content analysis involves a detailed and systematic examination of the content for the purpose of identifying patterns and themes. The basic technique involves counting the frequencies and sequencing of particular words, phrases or concepts in order to identify keywords or themes.

Step 1: Preparation of the data

The interviews with the managers and senior marketing staff involved in the planning and implementation of service innovation activities were recorded digitally and transcribed verbatim. The observations during the interviews (for instance, background noises, sounds, pauses, and other audible content) were not transcribed, because that was not necessary for the kind of analysis used.

All the transcriptions were checked several times, while listening to the recording of the interview to ensure accuracy. Once the recorded data had been transcribed, sorted and typed, the transcriptions were read and re-read several times, while the researcher listening to them several times to get to know the data.

Step 2: Peer check of a sample of the transcribed interviews

The coding system was tested by applying it to three of the transcribed interviews by the researcher and the supervisor. The differences in the coding were discussed; and some of the codes had to be adjusted.

Step 3: Code all the text

When sufficient consistency with the coding system had been achieved, it was used to code the rest of the interviews. As new codes emerged, the coding system had to be adjusted or refined, and the transcribed interviews had to be read again, based on the latest structure.

Step 4: Categorising/clustering the codes

The major benefit from the inductive approach is that it allows for research findings, usually in the form of a model or theory that reflects the basic structure of the data to emerge from the frequent, dominant or significant themes inherent in the raw data.

Following the advice of Merriam (2009:187), that the fewer the number of categories, the greater the level of abstraction, the researcher reduced the number of original codes by comparing and contrasting all the codes to find similarities. Codes with clear connections were clustered and assigned descriptive labels, also referred to as categories, for the purpose of the study.

Step 5: Identifying themes

The researcher examined the code clusters to develop themes that form part of the theoretical constructs that were used as a foundation to describe the results.

Step 6: Link themes to existing theory

The themes were linked to larger theoretical constructs found in the literature of this study. A construct is created by the grouping of specific concepts used to express the specific issue or reality under study (Cooper & Schindler, 2006:43). The abstract nature of concepts create problems in a research setting due to the different characteristics that people attach to these concepts, often despite numerous discussions in the literature. Therefore, it was necessary for the researcher to define the meaning of the concept that was used.

In the study, the constructs were created by the grouping of the themes. The term ‘theoretical construct’ is used, since these constructs are linked to the literature. Each of these constructs comprises of concepts or themes. The inductive data analysis process used for the study transcended the basic descriptive level and aimed to develop a framework based on the major themes found. This was done, as suggested by Corbin and Strauss (2008:106), by starting from raw data, thinking about the raw data, delineating themes, and then exploring the relationships between the various

concepts, and linking them all together into a theoretical whole, and then explaining the themes, and how are they related.

However, the focus of the analysis was guided by the purpose of the research, namely, to gain insight into the implementation of MVRs' service innovation practices or activities in Gauteng, South Africa, and this assisted the researcher to be more objective, and in dealing with concepts and themes, and to think critically about the service innovation activities. In addition, the literature reviewed in Chapter 2, 3 and 4 of the theoretical framework was utilised to position the findings of the study within the larger body of existing knowledge, and to interpret the findings.

Atlas.ti version 8 was used to generate related literature conceptual networks (service innovation activities, internal and external drivers of service innovation, barriers of service innovation, influence of service innovation activities on business performance) and to count the frequencies of the codes according to themes and categories. The literature conceptual networks that were generated constituted the findings and insights obtained from the in-depth interviews conducted in the study in order to achieve the research objectives.

5.2.9.2 Data analysis during quantitative phase

There are many computer programs which researchers can use to assist in data processing and analysis (Wiid & Diggines, 2013:36). Berndt and Petzer (2014:34) identified Excel and SPSS as computer software packages which can be used by researchers to analyse the quantitative data to allow descriptive and inferential statistics to analyse data and draw conclusions.

In order to analyse the quantitative data, the statistical software package SPSS Version 25 was used for the analysis of the primary data. The following analyses were done:

1. Means of differences between the service innovation practices, business performance, environmental dynamism, and environmental competitiveness were calculated and analysed.
2. Standard deviations for individual items on the questionnaire were calculated.
3. Correlation analysis was used to determine the influences or relationship between knowledge management, human capital, and market orientation on the innovation practices of MVRs.

4. Exploratory factor analysis (EFA) was utilised to determine the validity of statements used to determine the influences of MVRs' service innovation practices on their business performance (financial performance, competitiveness, and organisational reputation) to further explain the significance of the independent and dependent variables, as depicted on the proposed research model of this study.
5. Cronbach's alpha values were applied to determine the reliability of the questionnaire as a measurement instrument. The calculation of Cronbach's alpha values was done for each construct.

The hypothesised relationships were tested by evaluating the point and interval estimates of the parameters provided during the SEM procedure. This allowed the researcher to reject or accept hypotheses based on the results. The structural equation modelling (SEM) statistical technique was used for the study's empirical investigation, because this technique is well recognised as the most important statistical method for evaluating a series of simultaneous hypotheses about the impacts of latent variables and manifest variables on other variables, taking the measurement errors into account (Hair *et al.*, 2010:633). Hair *et al.* (2010:634) describe SEM as a multivariate statistical technique that combines aspects of confirmatory factor analysis (CFA), path analysis and multiple regression to estimate a series of interrelated dependence relationships simultaneously (Hair *et al.*, 2010:634). SEM is capable of assessing relationships comprehensively and is therefore suitable for theory testing, which focuses more on a systematic and holistic view of research problems than on theory development (Hair *et al.* 2010:635). As stated by Hair *et al.* (2006: 705), SEM allows multiple and interrelated dependence relationships to be estimated simultaneously and is particularly useful when a dependent variable becomes an independent variable in subsequent dependence relationships.

5.2.10 Data representation

The final step in the research process, as indicated in Figure 5.1, involves the presentation of the research results, the conclusion and recommendations. According to Malhotra (2010:58), this step involves interpreting the information and reporting it to management for decision-making purposes. This implies that the collected data is assigned a meaning in order to make sense and add insights that will be utilised in

decision-making. However, there are certain principles or criteria that should be followed to avoid bias and incorrected interpretation, for example, during the interviews, the researcher did not ask leading questions, and further, in closing the interviews, confirmed with the participants what they had said.

For the purposes of the current study, the researcher ensured that the data was reviewed by a statistician and the study promoter (supervisor). The data was cleaned before it was captured for analysis purposes. Furthermore, in order to remain within the scope of the current study, the researcher ensured that the interpretation of the findings was guided by the research objectives of the study, and that the propositions/hypotheses were tested as outlined in Chapter 1. Moreover, the Cronbach's alpha values were applied to determine the reliability of the questionnaire as a measurement instrument, and the calculation of Cronbach's alpha values was done for each construct. In addition, the research data and audio recordings will be kept for record purposes.

The findings, conclusion and recommendations of this study are presented in chapters 6 and 7, respectively. The next section presents the ethical considerations as applied to this study.

5.3 ETHICAL CONSIDERATIONS

The rights, values and interests of the respondents were respected. The relevant organisations (MVRs) were contacted telephonically and electronically by email to propose their participation in the study. According to Leedy and Ormrod (2014:107), researchers are required to obtain an informed consent or participation from respondents. Therefore, at the beginning of each interview and survey, the aims of the research were stated and the consent of respondents to participate in the study was requested, and the duration of the survey was outlined to the respondents. The purpose of the study was explained to the respondents with more emphasis placed on the issue of confidentiality. The respondents were requested to sign the consent form to assure the selected respondents that the interviews and survey would be handled with strict confidentiality, and the data collected would be kept in password-protected text and computer.

The researcher ensured that the study was at a minimum ethical in terms of South African societal norms, and endeavoured not to offend intended or identified potential

respondents and international readers. The ethical clearance certificate was applied for and obtained from the University of Pretoria for this research project with protocol number EMS065/18 (see Appendix A). The editor, transcriber and statistician who assisted in this study were requested to sign confidentiality clauses and further to permanently delete the primary data from their computers to enhance confidentiality. In addition, these parties were requested use password-protected computers in rendering their services to the researcher (see Appendix D, E and F for confidentiality clauses).

Yin (2011:19-21) adds that all qualitative inquiries should aim to reach credible conclusions by doing trustworthy and credible research, despite the variances in overall research strategy, methodology, data collection or choices made. Therefore, three specific objectives can be identified when building trustworthiness and credibility, namely, transparency, methodology and adherence to evidence. Transparency means that research procedures should be described clearly and in a detailed way, and then documented, to be accessible for review by others. Methodology requires the following of an orderly set of research procedures, conducting rigorous fieldwork, avoiding unexplained bias, and the bringing of a sense of completeness, to be obtained by checking the procedures followed, the data collected and the conclusions drawn. Adherence to evidence means that the conclusions drawn are based on the data that has been collected and accurately analysed.

In this study, 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 (2011:11-21).

The following two sections describe the key quality issues evaluated during the qualitative and the quantitative phases of the current study.

5.4 EVALUATING THE QUALITY OF QUALITATIVE PHASE

The quality evaluation in qualitative research includes issues related to the credibility, dependability, conformability, transferability and authenticity of the study.

5.4.1 Credibility

According to Saunders *et al.* (2012), various scholars have formulated new terms to accommodate qualitative research by for example, substituting reliability and validity with ‘measures of trustworthiness’. Eriksson and Kovalainen (2008:294) indicated that

to ensure credibility, the following key questions need to be asked when evaluating your research: Are you familiar with the topic and is the data sufficient to merit your claims? Have you made strong logical links between observations and your categories? Can any other research, on the basis of your materials, come relatively close to your interpretations or agree with your claims?

The data obtained from interviews is linked to the research objectives and research questions. It is also relevant and contains solid and rich descriptions. In addition, professional peer review and consultation was sought during the process of analysis and final report writing to assist the judgement of the researcher. Furthermore, the participants of the current study can be contacted for verification purposes in order to evaluate the credibility of the study. Transcripts of the in-depth interviews are made available on CD to verify that the findings of this study were not just the imaginations of the researcher, but based on the primary data collected.

5.4.2 Dependability

According to Eriksson and Kovalainen (2008:294), dependability refers to the researcher's responsibility to offer proof that the research process has been logical, traceable, and documented. All these activities establish the trustworthiness of research. All interview audios and transcribed interview data is made available in the CD as an annexure. Hard copies of signed ethical consent forms were scanned and saved as part of documentary evidence.

5.4.3 Conformability

According to Eriksson and Kovalainen (2008:294), conformability refers to the idea that the data and interpretations of an inquiry are not just imagination. Conformability is about linking findings and interpretations to the data in ways that can be easily understood by others. In order to ensure conformability, the requirements for transparency were met. Primary documents or original transcripts can be made available to support the dependence in the conformability of data.

5.4.4 Transferability

Transferability is concerned with the researcher's responsibility to show the degree of similarity between his or her research or parts of it, and other research, in order to establish some form of connection between the current research and previous results (Eriksson & Kovalainen, 2008:295). Transferability is thus not about replication, but

rather whether some sort of similarity could be found in other research contexts. The analysis of data will provide rich and solid descriptions to satisfy the concerns for transferability regarding the service innovation practices of MVRs.

5.4.5 Authenticity

According to Malhotra (2010:199), a researcher must be honest, truthful and maintain professional conduct during all the stages of research for a study to be regarded as authentic. Therefore, in this study, the researcher attempted to be truthful in explaining the purpose of the study and did not deceive participants when inviting them to participate in the study. In addition, the researcher did not falsify the findings of the study during the reporting stage. Finally, the study adhered to the University of Pretoria's research policy. Formal approval of the study was obtained in March 2018 with the reference number EMS065/18 from the Research Ethics Committee of the University of Pretoria (Appendix A). Given that the study involved adults' consent, the consents were obtained directly from the participants.

The current study followed an interpretive perspective. According to Henning, Van Rensburg and Smit (2009:21), the interpretive research paradigm emphasises experience and interpretation. Interpretive research is fundamentally based on the meaning and understanding of members' definition of situations. Therefore, for the purposes of the current study, the qualitative methodology was chosen for a number of reasons, for example, it emphasises the participants' perspectives and experiences, it takes into account the participants' interpretation and it allows for flexibility.

There are limitations to this research approach, however, as the method is subjective in nature and one cannot generalise the basis of the method. Qualitative research was used to gain insight into dealership employees' perceptions regarding the implementation of service programs of MVRs. More specifically, the aim of using a qualitative approach was to collect data more effectively and to gain richer information by enabling participants to also express their opinions and feelings, and to share their experiences with regard to the service innovation practices of MVRs, the drivers of services innovation, and challenges or barriers experienced in implementation stage.

5.5 EVALUATING THE QUALITY OF THE QUANTITATIVE PHASE

This section outlines the summary of research ethics that the researcher adhered to during the quantitative phase of the current study and in reporting on it, as adopted from Cooper and Schindler (2008:31-53):

- Plagiarism: The researchers ensured that due credit is given to each and all authors consulted in the research process;
- Voluntary participation: The researchers ensured that respondents were aware that participation in the study was solely voluntary and that they had the right to withdraw from the study at any point without any negative consequences;
- Financial / Non-financial incentives: The researchers did not at any time facilitate the participation of respondents through financial or non-financial incentives;
- Physical or psychological harm: The researchers ensured the physical and psychological safety of respondents during their participation in the study;
- Informed consent: The researchers obtained explicit written consent from respondents when collecting primary data. Appendix C contains the informed consent form that the researcher used for data collection during the quantitative phase;
- Confidentiality and anonymity: The researchers at all times adhered to respondents requests for their identity to remain confidential;
- Deception: The researchers at all times truthfully informed respondents of all aspects of the research study, and informed them that the study is purely academic;
- Archiving and data storage: The researchers ensured that all information and data obtained is secure;
- Objectivity, honesty and integrity: The researchers at all times endeavoured to conduct the research with objectivity, honesty and integrity;
- Fabrication / Falsification of data: The researchers did not any time fabricate or falsify any information or data obtained; and
- Misleading / false reporting of finding: The researchers reported any and all findings truthfully and in a manner that is easily understood as to avoid misleading the readers thereof.

In addition, ethical approval to conduct the research study was applied for from the Research Ethics Committee at the University of Pretoria.

The next sub-section explains the key issues adhered to, namely, reliability and validity of the measurement instrument used during the quantitative phase of the current study.

5.5.1 Validity and reliability

Leedy and Ormrod (2014:91) define validity of a measurement instrument as the extent to which the instrument measures what it is intended to measure. To assess the validity of the measuring scales in the current study, an exploratory factor analysis (EFA) was performed on all of the items in the measuring instrument. Principal component analysis (PCA) and varimax raw were specified as the extraction and rotation methods. The explained percentage variance and the factor loadings (greater than 0.4) were considered when assessing the validity of the measuring instrument.

Factorability of the data was assessed using two statistical diagnosis measures, namely, the Kaiser-Meyer-Olkin (KMO) measure of sample adequacy and Barlett's test of sphericity. According to Tabachnick and Fidell (2013), the minimum value of KMO should be 0.6 for a good factor analysis. Barlett's test of Sphericity should be significant (i.e p-value<0.05). Following Kaiser's criterion factors with 1 Eigenvalue are retained from extraction, as depicted in Table 5.8. Kaiser's criterion states that only factors with an Eigenvalue value of 1 and above are retained in the solution (Kaiser, 1970).

Table 5.8: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		**.672**
Bartlett's Test of Sphericity	**Approx. Chi-Square**	2144.180
	df	253
	Sig.	.000

Thirty-nine factors relating to service innovation practices, business performance (profit growth, organisational competitiveness, organisational reputation), environmental dynamism and environmental competitiveness were factor analysed using PCA with varimax rotation. The KMO measure of sampling adequacy was 0.672, and Bartlett's test of Sphericity was significant ($\chi 2$ (253)=2144.180, p=<0.001). Using

eigenvalues >1 to determine the underlying components, the data analysis yielded 8 factors explaining a total of 67.49% of the variance in the data.

Reliability is defined as the consistency with which a measuring instrument yields a certain, consistent result when the entity or variable being measured has not changed (Leedy & Ormrod, 2014:93). The Cronbach's alpha coefficients were also used to assess the internal reliability estimate of the measurement scales. According to Malhotra (2010:285), a Cronbach's alpha value of 0.6 or higher indicates that the measurement scale is reliable. Table 5.9 below briefly presents the Cronbach's alpha values for all the variables. All Cronbach's alpha values exceeding 0.6 indicate an internal consistency reliability for all the measurement scales. Table 5.9 presents the reliability test result for this study.

Table 5.9: Internal consistency reliability of measurement scales

Cronbach's alpha	Cronbach's alpha based on standardised Items	Number of items
0.751	0.765	39

Table 5.9 indicates that internal consistency reliability of the measurement scales was assessed by a systematic evaluation to ensure that the measurement scales measure what they should measure in this study, namely, service innovation practices, business performance (profit growth, organisational competitiveness, and organisational reputation), and the moderating role of external environmental factors (environmental competitiveness and environmental dynamism). The Cronbach's alpha value for the 39 statements used in this study is 0.751.

Based upon the presented findings in this section, the researcher concluded that the measurement scales used in this study are both valid and reliable, and overall mean scores could be calculated for the constructs the scales measure to test for statistically significant relationships between the constructs of the study.

The next sub-section outlines the survey errors identified during the quantitative phase of the current study.

5.5.2 Survey errors

The potential survey errors identified during the quantitative phase are grouped into interviewer errors and respondent errors. According to Malhotra (2010:117), the potential interviewer errors are questioning and recording errors. In addition,

respondent errors are inability and unwillingness errors. Questioning error, recording error, unwillingness error and inability error are explained in the sub-sections below.

5.5.2.1 Questioning error

Questioning error is an error that occurs in asking a question, for example, while asking questions an interviewer does not use the exact wording given in the questionnaire (Malhotra, 2010:119). In order to minimise the questioning error, the researchers used the questionnaire that had clear questions and instructions on how to ask the questions. In addition, the questionnaire was pre-tested in order to phrase questions in clear and understandable words used in the South African context.

5.5.2.2 Recording error

Recording error arises due to errors in hearing, interpreting and recording the answers given by the respondents (Malhotra, 2010:119). A self-administered questionnaire was used to minimise the chances that the researcher might record the data inaccurately, and the respondents were given sufficient time (a week/ 7 days) to self-complete the answers to questions in the questionnaire.

5.5.2.3 Unwillingness error

Unwillingness error arises from the respondents' unwillingness to provide accurate information. Respondents may intentionally misreport their answers because of the desire to provide socially acceptable answers, avoid embarrassment, or please the interviewer (Malhotra, 2010:119). In order to minimise the unwillingness error, sensitive questions that required, for example, respondents' tertiary qualifications were asked as a closed-ended question providing qualification ranges.

5.5.2.4 Inability error

Inability error results from the respondents' inability to provide accurate answers because of unfamiliarity and faulty recall (Malhotra, 2010:119). In order to minimise inability errors, sensitive questions that may be difficult for the respondents to answer were avoided in the current study.

The next section provides the summary of the research process followed in the current study.

5.6 SUMMARY OF THE RESEARCH PROCESS

Table 5.10 provides a summary of the research process followed, and each step is explained in detail, providing the practical application and theoretical basis where necessary. In addition, the primary research objective of the current study is reiterated in Table 5.10 to indicate its relevance in the selection of the research approach that was followed.

Table 5.10: Summary of the research process followed

Activity	Description of process
The primary objective of the study	To gain new insight into the implementation of MVRs' service innovation practices. To determine employees' perceptions regarding the environmental factors that can influence the relationship between MVRs' service innovation practices and business performance. To determine the employees' perceptions regarding the influence of service innovation practices on business performance (profit growth, organisational competitiveness, and organisational reputation) of MVRs. To examine the role of environmental dynamism and environmental competitiveness as factors that affect service innovation practices in delivering business performance of MVRs in the motor vehicle industry.
Research design	Mixed method: Exploratory qualitative and descriptive quantitative research
Sampling method	Non-probability, purposive sampling
Research strategy/data-collection method	In-depth interviews with managers and employees(customer-contact) of car dealerships/MVRs provided the opportunity to obtain general or overall insight into and to investigate the similarities and differences between car dealerships Survey with managers and employees of car dealerships/MVRs
Population	MVRs in the South African Motor Industry operating in Gauteng's three major cities (City of Tshwane, City of Johannesburg and City of Ekhuruleni (Toyota, Volkswagen, Audi, General Motors, Citroen, Peugeot, Nissan, BMW and Mercedes Benz)
Sources of data	Primary and secondary sources
Data-collection method	Face-to-face interviews (semi-structured in-depth interviews) Completion of self-administered questionnaires
Data presentation	Narrative presentation and graphical presentation
Data analysis	Content analysis, descriptive and regression analysis

Quality of the research	Achieved through validity, reliability credibility, conformability, and dependability
Ethical considerations	Achieved through informed consent and confidentiality.

Source: Researcher's own compilation

Table 5.10 indicates that the research objective of the current study, namely, to gain new insight into the implementation of MVRs' service innovation practices, to determine employees' perceptions regarding the environmental factors that influence the relationship between MVRs' service innovation practices and their business performance, and to determine the employees' perceptions regarding the influence of service innovation practices on business performance (profit growth, organisational competitiveness, and organisational reputation) of MVRs. This research objective was crucial in choosing the research approach to be followed in the current study. The mixed-method research approach was chosen for a number of reasons, namely, it emphasises participants' perspectives and experiences, it takes into account the participants' interpretations and it allows for flexibility.

5.7 CHAPTER SUMMARY

This chapter provided the discussion of the research methodology followed in the current study, including the components of the research methodology which included the selection of the research design, research paradigms, and types of data (secondary and primary data) that were used in the study. A brief comparison of quantitative and qualitative research was provided, and the different data-collection methods used in the study were discussed. The chapter included a detailed discussion of the research process followed in this study and the justification thereof.

The next chapter presents the research findings of this study and the interpretation of the findings.

CHAPTER 6:
RESEARCH FINDINGS

6.1 INTRODUCTION

The primary research objectives of this study as explained in Chapter 1 are summarised as follows: firstly, to gain insight into the implementation of service innovation practices of service organisations in the case of Motor Vehicle Retailers (MVRs); Secondly, to determine the employees' perceptions regarding the influence of service innovation practices on the business performance of MVRs operating in Gauteng, South Africa. Thirdly, to determine employees' perceptions regarding the moderating role of environmental dynamism and environmental competitiveness on the relationship between MVRs' service innovation practices and their business performance.

In order to realise the primary objective, five secondary objectives were formulated for the qualitative phase of this study. Table 6.1 presents the research objectives of the **qualitative phase** of the current study.

Table 6.1: Research objectives of qualitative phase

Research objective number	Description of the research objective
1	To gain insight into the implementation of MVRs' service innovation practices.
2	To determine the drivers of MVRs' service innovation practices.
3	To identify the barriers that hinder the implementation of MVRs' service innovation practices.
4	To determine how MVRs measure the influence of service innovation practices on business performance.
5	To identify environmental factors that can influence the relationship between MVRs' service innovation practices and business performance.

Table 6.1 depicts the secondary objectives of the **qualitative phase** which aimed to gain insight into the implementation of MVRs' service innovation practices, to determine the drivers of MVRs' service innovation practices, to identify the barriers that hinder the implementation of MVRs' service innovation practices, and to determine how MVRs measure the influence of service innovation practices on

business performance. In addition, the qualitative phase of the current study aimed to identify the environmental factors that can influence the relationship between MVRs' service innovation practices and business performance. As explained in Chapter 5, the study used a qualitative approach to answer the first five secondary research objectives.

Table 6.2 below shows that **quantitative research** was utilised to address secondary research objectives 6, 7 and 8 of this study.

Table 6.2: Research objectives of quantitative phase

Research objective number	Description of the research objective
6	To determine employees' perceptions regarding the influence of service innovation on the business performance of MVRs.
7	To determine employees' perceptions regarding the moderating role of environmental dynamism on the relationship between service innovation practices on business performance of MVRs.
8	To determine employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between service innovation practices on business performance of MVRs.

Secondary research objective 6 aimed to determine employees' perceptions regarding the influence of MVRs' service innovation on their business performance. Secondary research objectives 7 and 8 aimed to determine employees' perceptions regarding the moderating role of environmental dynamism on the relationship between MVRs' service innovation practices and business performance; and to determine employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between MVRs' service innovation practices and business performance.

This chapter firstly presents the structure of this qualitative report, followed by a discussion of the profiles of the participants in this study. Thereafter, the findings and interpretation of the findings derived from the qualitative phase are presented, followed by the structure of the quantitative report and the results of the quantitative phase of the study. Lastly, the summary of the key findings of the study are outlined in this chapter.

6.2 STRUCTURE OF QUALITATIVE PHASE OF THE RESEARCH

According to Malhotra (2010:196-197), there are an array of acceptable ways for presenting qualitative results or findings. Data display or data structuring can be in the form of a narrative, which involves sharing the participants' views and comparing their ideas, or data can be presented in a non-narrative format. Malhotra (2010:197) explained that the non-narrative format involves the use of tables, figures, diagrams, charts or a matrix which are used to present the qualitative data. Alternatively, both narrative and visual displays can be used.

Data display allows the researcher to develop a visual interpretation of the data and to show links in the data to find the meaning that permits the drawing of conclusions from the collected data. However, the use of narrative text with direct quotes is still the most frequently used form of display when reporting on qualitative studies.

Descriptions form the foundation for the qualitative data analysis, while the verbatim text provides the evidence for the interpretation of the findings. Yin (2011:235) identified the different forms of data display to be used in the narrative form when reporting on the findings: firstly, combining quoted extracts with selected paragraphs of descriptions by the researcher. Secondly, using lengthier presentations with longer quoted dialogue which covers multiple paragraphs for more in-depth coverage of the participant's own words.

The qualitative phase of the current study used a narrative approach to present the findings of the research. The narrative approach consisted of verbatim quotations from the participants, which supported the research findings of the qualitative phase. These verbatim quotations are identifiable by the number of the participant, for example, Participant 1, Participant 2, and so on. The participants' verbatim quotations are written in italics. Lastly, the themes that are the part of findings during the in-depth interviews of the qualitative phase are typed in bold to make the presentation of the findings more understandable.

The next section provides the profiles of participants that participated in this study.

6.2.1 Participant profiles

The section presents the profiles of the interview participants, indicating the grounds for the selection of these participants to participate in the qualitative phase of the current study.

6.2.2 Basis for the selection of participants

As explained in Chapter 5, the participants targeted in the study are managers and customer-contact employees participating in the planning and implementation of service innovation practices of MVRs operating in Gauteng, South Africa. The selection of each participant was based on their position or organisational role, and their participation in the organisation's service innovation practices/activities.

6.2.2.1 Positions

The participants were purposefully selected to participate in the study because of their respective managerial roles in their respective MVRs. The titles of the managers included in the study comprised two dealership managers/principals, two dealership assistant managers, one sales manager, one parts sales manager, and four senior sales executives. All of them were active participants in the planning and implementation of service innovation practices or activities in their respective MVRs.

Brynard and Hanekom (2006:56) point out that it is permissible for a qualitative study to use a small sample, and posit that there are no fixed rules for determining the sample size. Therefore, this study interviewed ten participants involved in the planning and implementation of service innovation activities until saturation was reached and no new data was obtained. These senior employees of motor vehicle dealerships were interviewed during the qualitative phase to ensure that the research objectives of the qualitative phase of this study were attained.

6.2.2.2 Level of experience

The participants had sufficient experience in the motor retail sector to answer research objectives of this study. The participants had a minimum of three years' managerial experience in motor vehicle retailing. All the participants displayed the necessary capabilities to answer the research questions that were aligned with the research objectives of the qualitative phase.

The next section presents the research findings derived from the qualitative phase of this study.

6.3 QUALITATIVE RESEARCH FINDINGS

This section presents the findings and interpretations of the research findings of this study, based on each of the secondary research objectives formulated for the qualitative phase of the study.

6.3.1 Secondary research objective 1

The first secondary research objective aimed to gain insight into the implementation of MVRs' service innovation practices. In an attempt to address this secondary objective, the following two questions were asked:

1) What are the types of service innovation activities implemented by MVRs? and
2) How are service innovation activities implemented?

The participants indicated that the type of service innovation activities used in MVRs are linked to marketing innovations, specifically, **promotions (marketing communication), technology usage, customer service, after-sales services, physical environment, pricing, internal processes, products,** and **new service offerings** being offered to customers.

The quotes of participants are cited to justify the findings mentioned in this paragraph related to **promotions** and use of **internet (technology)** by MVRs. The participants are cited saying:

"Is about our promotions and giving best customer service we give to our customers, prices and the quality of the car we offer." (#Participant 1)

"We run internet promotions, that's where we get our business, people visit our website, get our e-mails contacts rather than walking into the dealership." (#Participant 1)

"We go on internet, and we go out and book at the shopping malls to display our cars and exhibitions." (#Participant 1)

"We would have specials like buy a car and get a Makro voucher of R5 000, buy a car and get a cash back of R20 000, buy a car and we will cover your insurance for a year." (#Participant 2)

"There is a database, the dataset will inform you that the car runs out of motor plan, we advertise on the Internet, we do SMS campaigns." (#Participant 3)

"Internal we are running our own campaigns, we are running our own discounts on cars, trade-ins and giving them better prices on their trade-ins than most competitors." (#Participant 3)

"What we have done, when you look on the Internet most of dealerships advertise the car and the price, but we advertise the car, principal amount and the instalment." (#Participant 3)

"There is more scheme deals where a customer will be offered less than prime and we'll pay some of the interest to the bank, so that we give them prime and things like that. So there's a lot of deals that are happening. There's also a lease agreement which you can do for two years if you don't want to, you know, bind yourself to anything." (#Participant 4)

"You know, another one is to do promotions. Promotions we spend a lot of time in community at schools and competitions and activities." (#Participant 5)

"We do promotions, but now you see, when it comes to sales promotions with the new business model, head office is the one that controls that." (#Participant 7)

According to Participant 1, the Internet is used as a medium of promotions to convey messages to customers, as these customers prefer visiting websites, and use e-mails to communicate with MVRs rather than visiting dealerships. According to Participant 2, short text message (SMS) campaigns are used to convey promotion messages and to remind customers about vehicles running out motor plans. According to Participant 3, the Internet is used creatively in his organisation to differentiate the promotions by advertising the car, principal amount and instalment, in contrast to other organisations that advertise the car and price without giving all the details.

However, according to Participant 2, his dealership incorporates new ideas in promotions by not just offering sales promotions, such as cash backs and vouchers, but by offering related services to the customers, such as covering the insurance premiums on cars sold to customers. According to Participant 3, promotions are used creatively as part of service innovations by offering customers higher prices on the cars traded in compared to competitors, and by providing additional content in the advertisement, such as including the principal amount and the instalment amount. Participant 4 pointed out that his organisation subsidises the interest rate on purchases as part of their promotions.

Participant 5 indicated that promotions are done differently by focusing on local community and schools, and the dealership also offers competitions as part of promotions. According to Participant 7, his dealership implements sales promotion campaigns which are more led by the brand Head Office.

Participants 4 and 5 supported Participant 1's view that shopping mall displays, as part of promotions, are used to display the vehicles in promoting the brand and increasing the visibility of the product offerings. Participant 4 is cited saying:

> *"We do the shopping Malls displays. We've done, every month we do a Mall. So we'll take three of different ranges to a Mall and show it off and the response we're getting it's very good. So even if we don't sell a car from that Mall but we know three, four, five customers that we've got here because they've seen the car. So it's all about getting the cars out there to be seen and they can also peek inside and see what features it comes with. So you're advertising. That is good advertising for us because most people didn't know how nice the brand is. So as soon as they see it in the Mall with their husbands or with their partners, you know, it's easier for them to make a decision there". (#Participant 4)*

> *"So what we'll have, for example, an innovative idea to us will be renting space at the shopping mall, displaying vehicles because then you've got a lot of one-on-one interaction with people and you're not talking to them on the Internet. That works well for us, especially in the area that we are without clientele." (#Participant 5)*

Participant 4 added that gifts are also offered to customers during the delivery of the vehicle to the customer. This happens after the sales transaction has been concluded, and it creates a lasting memory in the customer's mind.

> *"We'll offer you a nice Parker pen, very expensive pen. It depends on what car we're selling. Most, as I said when I talk to you, with my small interview or small chat I will also check what kind of a client are you. For example, if you are into sports I've got gifts from the Dakar rally, like, you know, the memorabilia, the small gifts from them. So what I will is, I know you're into sport, I'll give you the memorabilia." (#Participant 4)*

Participant 7 alluded that his dealership uses special events, such as the Durban July, as part of their promotions to reach the target market, and as part of service

innovations to have customers become part of these events. In addition, Participant 7 indicated that some of these promotions are linked to special celebration periods, such as Women's Month. Participant 7 is cited saying:

> *"From the Durban July event to – there's other stuff that we're busy with. I mean for instance even now while I was sitting with management I was telling them there is a, with the women, now it's Women's Month." (#Participant 7)*

Participants 2, 3 and 5 further added that new technology, such as **social media platforms,** are used in the organisation during the delivery of cars to customers and to share the marketing message with visual images. The participants are quoted below saying:

> *"It is funny, WhatsApp has become a tool, your Instagram, and Facebook, when we deliver the car we share images on the platforms." (#Participant 2)*

> *"I can't give you stats off-mind but what I can tell you is that the majority of new leads from the Internet versus the same amount of leads from social media, website from the Internet. On most platforms like Autotrader and Cars.co.za, you know? Social media you get a lot of leads but they are not always good quality leads." (#Participant 5)*

> *"We ask them can we post it on social media? You know, if they say, no, we don't do it. If they say, yes, no problem. These pictures are shared with them and, you know, so all their friends and family can see it." (#Participant 5)*

> *"The main purpose was to put the dealership on top of mind through using the networks of the famous people who then have access to their following, especially on social media. The main drive was on social media." (#Participant 9)*

According to Participant 2 and 5, technology, in the form of social media platforms such as WhatsApp, Instagram, and Facebook, are embraced to share information and images with customers. Participant 5 alluded that pictures are shared on social media based on customers' permission, and more leads are derived from social media visibility. According to Participant 9, social media is used to promote the dealership in customers' minds using public figures or famous people's networks.

Participant 7 alluded that social media is used as it is inexpensive and it appeals to customers, particularly, the newer, younger generation. Participant 7 is quoted saying:

"To be honest with you I find social media, especially like Facebook, Instagram is the less costly to advertise and it's in this new generation, it's a medium that appeals to other people." (#Participant 7)

Participant 6 argued service innovation activities linked to sales promotions are difficult to execute, as in some instances customers will often go to their closest dealership after being exposed to the campaign executed by a specific dealership. To justify this finding, Participant 6 is cited below saying:

"It's very difficult because I mean, and I'll give you an example. If you go and have a display somewhere, people would not necessarily come back to you if you sell new vehicles. They would go to their closest Toyota dealership because they know they've got the same products but we have regular functions at this dealership to entice people to come here." (#Participant 6)

The participants further indicated that **customer service, after-sales services**, and a **reduced turn-around time** on applications are used as part of service innovations to add value to customers and to improve customer experience. The verbatim quotes taken from the participants are provided to justify this finding. Participants 2, 4, 5 and 10 are cited saying:

"Customer service which is very imperative, what is important is the service we offer to our customers, the service you offer determines whether customers will buy from you in the future." (#Participants 2)

In South Africa, black people buy cars more than other races, so they prefer Ubuntu, that human touch, so we should leave the customer with lasting effect." (#Participant 2)

"There is a system we use which is directly linked with the manufacturer, called Motorvade, so with every customer we interact with we need to record customer's details, it keeps record about their birthdays, wish them happy anniversary on their car - we use that to wish them birthday, that makes people feel special." (#Participant 2)

"Generally the whole unit, when we deliver the cars to customers, we organise the gift and tell all staff to congratulate the customer by calling him by their first name, shake his hand, it makes it is, is that whole human touch." (#Participant 2)

“What is important is the ability to solve the problem, the turnaround time becomes imperative.” (#Participants 2)

“When the customer takes a car for a service they get service advisors. The service advisor refer to another salesperson if they are not friends with you, so what we do, we book service on behalf of customers to cut the communication with sales advisor borrow them company car.” (#Participant 2)

“What we have done, in fact the suggestion came with me, I suggested that what was killing us on turnaround time, we have two financial officers, so we were trained to capture applications.” (#Participant 3)

“What I do, so far what I’ve been able to do which makes me stand out from the rest is to give the client as much information as possible but only useful information. So there’s no need to bombard the customer with a lot of things that he won’t use. You establish the customer’s needs and you focus on those needs and if there’s something extra that is a benefit, you always mention it, then that captures the customer. So when he goes to the, he or she goes to the next dealership and they don’t provide those you always standing out because you mustn’t show that you are only there for the sale.” (#Participant 4)

“I’ll show you the vehicle, I can introduce you to the finance lady. She will go through the application with you and the experience as a whole would be friendly, exciting, professional, you know, all those little factors, but our price may not be the cheapest. You might walk to the next shop/dealership and, you know, you get a better price but the service was terrible. I still have a good idea, and they’re good. I have enough confidence that you would still buy from us whether or not you would come back and discuss the other shop’s price, but because the experience was good you would be open enough to tell me that you were offered a better offer.” (#Participant 5)

“Should we not be able to source that part we also have an option where we offer the customer a courtesy vehicle or a drop-off the next day should that be needed.” (#Participant 10)

Participant 10 indicated that a new system called System Operation Program (SOP) has been introduced as part of service innovation to shorten the turnaround time on customers’ orders of vehicle parts and to improve customer service. Participant 10 is quoted saying:

"Part of service innovation we've introduced System Operation Program (SOP), which means special order parts. I've got a shelf right here. So what happen it works – it's a system where it works per day, Monday, Tuesday, Wednesday, Friday, whereby when parts arrive it systematically gets allocated by means of a document with the customer's details. It gets allocated per salesperson and that goes into a shelf." (#Participant 10)

Participant 10 added that in his dealership, the SOP system is used to keep customers updated about the stage of orders made telephonically each day to avoid a situation where these customers receive no feedback about progress. Participant 10 is quoted saying:

"So day 1 it when the part arrives. So the next morning will become day 2. The picker will then take that part out of day 1, he will put it in day 2, and that is how the process goes until you reach day 5. On day 5 the salesperson should have phoned that customer five times, should have phoned them daily to remind him to come and collect his parts. That's why we don't have a situation where a customer say but I've ordered a part but I've not heard from you. We phone the customer on a daily basis as the part gets moved along in the process on special order parts. By doing that there's no misunderstanding that the customer was never informed that the part arrived." (#Participant 10)

Participant 6 alluded that overnight service repairs are introduced in his dealership to accommodate customers' needs. Participant 10 added that new operation times have been introduced as part of service innovation by offering, after-hours or overnight and Saturdays repair services to customers. The dealership also offers customers a quotation for an extended service plan or extended warranty if the vehicles are about to run out of warranty. Participant 6 and 10 are cited saying:

"Some of the fleet customers who would need their vehicles during the day but overnight there's nobody driving them. Therefore, that would be ideal. So if they bring their car in before seven o'clock at night, they get their car before seven o'clock the next morning." (#Participant 6)

"We have a newly introduced facility whereby we service after hours. So customers drop their vehicles between 16h00 and 17h00 at the dealership and that same evening they come and collect their vehicles or if they can't make it to collect it that same evening they collect it at 07h00 next morning. So we have after-hours

services. That's one improvement. The other improvement is we also do services on Saturdays." (#Participant 10)

"We offer what you call the tow value service for vehicles older than five years. Any vehicles older than five years get a discounter labour rate for them and a discounted percentage on parts, especially for vehicles older than five years. What we also have is as soon as those vehicles are here, or vehicles that's on the run out of their service plan, we give them quotes with their when collecting vehicles and we sell them the features advantages and benefits of having an extended service plan or extended warranty." (#Participant 10)

The participants further alluded that new ideas are incorporated into customer service as part of service innovation. According to Participants 2, 3, 4 and 5, they offer unique services through friendliness, having the ability to solve problems quickly, and by understanding that customers' needs are an imperative for excellent customer service.

Participant 4 stressed that offering customers extra services that meet their needs is crucial, and that it shows that the dealership is not only concerned about making a sale. Participant 5 emphasised that offering friendly service can ensure the confidence that customers will buy from the dealership despite not being offered the cheapest price. Participant 7 added that the dealership may extend special services to customers, for example, by supporting the customers with free transportation for special occasions. Participant 7 further alluded that accepting invitations to customers' events can add value for both the customers and the organisation. Participant 7 is quoted saying:

"I also try my best to support them. Maybe if they ask me like for instance, today one of my customers called me, their daughter is going for matric dance. They ask me for a car. Like what nice car can I take, you know, take and drop the daughter off. It's more like a friendship. If they, also when they do events, they call me. I mean my other customer was opening a dentist then she called me to be there at the launch. So that also, me being there supporting them, I get to meet other people in their circle." (#Participant 7)

Participant 10 pointed out that they introduced cut-off ordering times to reduce the turnaround time of vehicle parts orders, in efforts to improve customer service, and they sometimes source parts from other dealership networks. Participant 10 is cited saying:

"We have two ordering cut-off times, 07h45 in the morning and 13h45 in the afternoon. When the part is ordered at 07h45 in the morning the part will arrive the same day, the same afternoon. If not, if it's ordered after 08h00 or 08h15 the part gets ordered at 13h45 and it arrives the next morning. We will then look with outside our franchise, with other dealerships (mentioned brand name), within the network and we'll source it from there if the vehicle cannot drive without that item." (#Participant 10)

Participant 9 indicated that some of the service innovation activities initiated in his dealership include special events, such as a celebrity golf day to which celebrities are invited. Participant 9 is cited saying:

"Look, in terms of marketing, for example, some year back I did a golf day which was not your traditional golf day with a golfer. It was one with a celeb who is not necessarily a golfer and it was more of a celebrity crowd than it was a golfing crowd." (#Participant 9)

Participant 2 also added that improved internal processes, as part of service innovation, can lead to quicker turnaround times on applications in the sales process to meet the needs of customers. Participant 2 is cited below saying:

"If you come with better ways of doing things, like if a customer do make an application, and they get approval within 30 minutes, that's what customers wants, they say you strike while the iron is still hot, you come and sit down with the financial lady to finalise the deal and get the car." (#Participant 2)

"There is a system we call serity system, the customer has once applied in their system, their details are available you can punch their id, and you don't have to recapture their detail minutes, you just make adjustment." (#Participant 2)

Participant 2 also pointed out that the creation of a conducive **internal environment** in the dealership can create a relaxed mood which will make customers feel comfortable and which they can enjoy. Participant 2 is cited below saying:

"What the music do, it relaxes the environment, we play a music that energies the environment, customers need to come and want to spend time with us." (#Participant 2)

"The layout of the vehicles is always facing the door, and also facing the main street which is we are on the main street. As you walk in, if a client walks in I always stand

up to make sure they're noted. You know, they can see that you are seeing them. You know, I give them attention. So that makes a customer feel more welcome. Even if there's sales people around but because you've stood up and gave eye contact the client will walk towards you before you even, you know, approach her, you approach the client." (#Participant 4)

Participant 6 pointed out that their dealership developed an on-premises 4x4 track to provide customers with a unique experience as part of their service innovations which is not available in most of their competitors. Participant 6 is quoted below saying:

"We've got a 4X4 track on our premises. So if people want to experience 4X4 vehicles, they can come and do it on our premises which not a lot of dealership have." (#Participant 6)

Participants 2 and 3 pointed out that in their respective organisations, **price innovation** is used to create value for the customers by restructuring instalments that suit customers' pockets, and by offering discounts on prices. In addition, Participant 3 and 6 stated that courtesy vehicles are offered to customers while their cars are being serviced to add value to these customers. Participant 6 added that his dealership offers rented courtesy cars to customers to minimise the insurance costs which are associated with owning own dealership vehicles. Participants 1, 2, 3 and 6 are quoted below saying:

"We check what you qualify for approval, and how much they can afford and the instalment they want, and work around that." (#Participant 1)

"We pre-approve the customer without a drivers' licence, then the customer know that I got approval, then we tell the customer to go and get a licence and once the customer got a licence we give him a R5000 refund spent on acquiring licence instead of offering cash back voucher." (#Participant 2)

"It is discounts, but when I say I will pay for your premiums that gives value to the customer." (Participant 3)

"We send out e-mails to customers telling them that we are paying more on their cars, most of customers are owing much on car than they worth." (#Participant 3)

"Taking our customers to work when they brought their vehicles for service, a lot of customers prefer to service their cars here so that they can be driven to work with our cars (mentioned brand)." (#Participant 3)

"The customers that we offer courtesy are those have meetings between two places in a day we are aware of, or for customers that have been inconvenienced by us." (#Participant 3)

"The dealership is also managing to save cost because when you have got you still, or else have to pay insurance on those cars. I mean our insurance excess on cars, because we are in the motor industry which is considered high risk, is R40 000 excess that we pay on a vehicle if there is an accident." (#Participant 6)

Participant 8 pointed out that to ensure that quality service is offered to customers, technologically knowledgeable staff members are used to test drive serviced vehicles, as part of service innovation, to quality check those vehicle before collection by the customers. Participant 8 said:

"That is why the guy who's driving those cars, specifically that guy must be technically knowledgeable and also it's a mechanic on his own but his high qualified than other ways. Just to drive the car, take it to the road and then check each and everything." (#Participant 8)

Participant 4 and 10 alluded that as part of their customer service, they add value to customers by offering a shuttle service for the customers whose vehicle are being serviced, and they offer courtesy vehicles to customers when there are delays with service repairs. Participant 4 and 10 said:

"We offer shuttles to clients who brings the car in for a service, but if it's going to take more 48 hours to sort out the car, which is two days, we do give them a courtesy car which if we don't have one here we will rent one from our main office." (#Participant 3)

"We also have a drop-off for customers with our shuttle. We have two different vehicles. We have a 10-seater bus, should be a little bit more, and then that is area bound. So if there's three or four customers in the same area they will then be dropped off and then we'll move on to the closest customer in that area. Should a customer be dropped off, for argument's sake, in Centurion, which is not part of our route, we will then use another driver to get that customer dropped off." (#Participant 10)

Participant 4 mentioned that his organisation created an e-Consultant strategic position as part of service innovation. Participant 4 is cited saying:

"What a e-Consultant does is, they give you a call. It's a small interview. You can also buy the car there and you can take delivery at any of our dealership, the brand itself, you can always do that. So what you do is you put everything in there in terms of your name, your details, everything. They give you a call, they send you an application for test drive or finance, you send it and the (finance and insurance) F&I does everything, puts you on the best deals which is your scheme deals at the moment and send it through. So you will say, okay, fine I'm in Pretoria or I'm Durban. I would like to take delivery in this area then they will see whoever is closer, they will send the car there so you can take delivery. So whoever is going to be assigned to do the delivery will take care of everything that making sure that the car is prepared and ready for delivery, for you to take delivery." (#Participant 4)

According to Participant 4, customers and potential customers can use the e-Consultant to book for test drives at any dealership nearest to where the customers are located, and even apply for vehicle finance online. In addition, potential customers with the aid of e-Consultants can arrange for the delivery of the purchased vehicle at different destinations. However, Participant 5 added that even though test drives are offered, strict rules are adhered to. Participant 5 is cited below saying:

"We do advertise test drives of course and, you know, what the car is being offered, but we also have strict policies, you know? They still have to come with their driver's licence and identity document by themselves." (#Participant 5)

Participant 10 added that his dealership supplies additional services, such as nitrogen injection on tyres, to customers which is valid for a six month period. Participant 10 said:

"Our service department has specialised equipment, injector services, diesel injector services, petrol injector services, engine flush services that's done through our service department. We have also --- is nitro injection for the tyres which is, I think, after six months to come back to have a top-up done which is included in the initial charge. They've also come as far as service innovations." (#Participant 10)

Despite the above findings, Participant 4 indicated that the organisation should still monitor what the competition is doing in order to remain competitive and to try to offer cheaper prices. The participants added that in terms of the product offered to customers, the organisations check the quality of the cars before being delivered to

customers. The verbatim quotes derived from the participants are provided to justify this finding. Participants 1, 2, 4 and 7 are cited below:

> *"Because competition is tight you have to check on what are the other guys selling, the same brand, the same car, same year with similar kilos for. So you're always, you know, on par or under, so you cannot sell a vehicle for 20 grand more than what other people are selling it for. It's either you sell it for the same price or cheaper. So that's how we, and because we always try to go cheaper, we always get more sales because of that. We will always try to sell it at same price or cheaper." (#Participant 4)*

> *"We do eighty-point check on our cars to ensure that our customers get quality cars" (#Participant 1)*

> *"We ensure that our cars are in good condition, making sure we produce good results." (#Participant 2)*

> *"We use our workshop, then we take it to Dekra which is one of the best, reliable external party that will always give you an honest answer." (#Participant 4)*

> *"I hand it over to the used car department. Then they then take it to the panel shop, a panel beating shop where, you know, if it's got dents or it's got scratches and that they sort that out. Then also it's taken by workshop, put it on a lift, just to ensure that everything is alright on the car before they even sell it. So they need to do like a check, a checklist before." (#Participant 7)*

However, with regard to the implementation of service innovations, Participant 2 alluded that often a top-down approach is used in the organisation to implement service innovation activities, emphasising that innovations should be introduced in a manner that can be easily implemented. Participant 2 is cited below to justify the findings saying:

> *"So what usually happens, the factory which is (mentioned the manufacturer's brand) will have meeting with dealership principals, then the dealership principals will have meeting to communicate with sales managers, then the sales managers will have meeting with sales staff about new service ideas." (#Participant 2)*

> *"You need to introduce it in such a way so that the human beings absorb it and they find easy to implement it." (#Participant 2)*

However, Participant 1 stated that in his dealership, the generation of new ideas that will contribute to improved business performance comes from the bottom up. Participant 1 said:

> *"We are given go ahead to come with new ideas as long as it will generate more business" (#Participant 1)*

Participant 2 supported Participant 1's view regarding the bottom-up approach, and also emphasised that in their organisation, internal staff are encouraged to bring new ideas, as the management has created a harmonious environment that allows creativity, and a **bottom-up approach** is encouraged. He said:

> *"A bottom-up approach is always better than top-down approach, staff is encouraged to come up with new ideas." (Participant 2)*

The next sub-section presents the findings related to secondary research objective 2.

6.3.2 Secondary research objective 2

The second **secondary research objective** intended to determine the internal and external drivers of MVRs' service innovation practices. To address the research objective, two questions were formulated, namely:

1) What are the internal drivers of MVRs' service innovation activities? and
2) What are external drivers of MVRs' service innovation activities?

The participants indicated that management support, internal human resources, available budgets, and external factors, such as networks and a need to improve business returns, served as drivers of service innovations in the MVRs. The participants' verbatim quotes below support the findings mentioned in this paragraph.

> *"Any innovation that we can bring business cannot be cut-off, our management support it. Whatever innovation we come with if we can double or triple business, are supported." (#Participant 1)*

> *"We are allowed as long as is within frameworks, but if you present anything that could bring business return and it falls within the ethics and the framework of the organisation, they always approve it." (#Participant 3)*

> *"The management support now, the new management supports which are, I'll call them new, although they are six months old, they're very supportive. They will always try something new to get more clients definitely." (#Participant 4)*

"New ideas, my manager that I'm working with is always keep on telling me, if there's any fresh ideas or what you want us to do or what you want to implement, come to us and then let's speak and then let's see how can we adjust from there where we are." (#Participant 8)

"I think a lot of this, a lot of performance is human related and how people react to change and how we adapt and how we approach innovation." (#Participant 4)

"The management will give you a chance and I mean if it makes business sense and you say, okay, I want to do this because one, two, three and it's going to bring one, two, three or I'm hoping to achieve one, two three, they look at both that. If it makes business sense then the idea is supported." (#Participant 7)

"I think human spark is a big thing, hey? People, humans are, well, determine a lot about your business and you have to have innovative people and if they are not very innovative you have to teach them to be innovative over five years and where to find the ideas, you know." (#Participant 5)

According to Participant 2, all internal sales consultants in his organisation are allowed to come with any innovation that has the potential to increase the business performance. Similarly, Participants 3 and 8 emphasised that internal staff can present new ideas to the management. Participant 3 added these new ideas will be supported if they could result in increased business performance, but that these ideas should fall within the ethics and frameworks of the organisation. Participant 7 added that the management supports ideas that make business sense in terms of contribution to business performance. Participants 4 and 7 stated that their respective managements support service innovations within their organisations. According to Participant 5, an organisation should have innovative people, and if they are not innovative, you have to teach them to be innovative.

Participant 6 indicated that the buy-in of human capital is important for service innovations ideas. Participant 6 said:

"Luckily we're part of a big group as well, so from a resource point of view I'm always catered for. The biggest resource that you use is people. You know, your human capital is essential in making, and if you don't have the buy-in of staff you will never make any initiative work." (#Participant 6)

Participant 8 alluded that each department in his dealership has to conduct brainstorming sessions to generate new service innovation activities, and some of these ideas are implemented immediately, but within the confines of rules and procedures. Participant 8 is quoted saying:

"We do have brainstorm sessions. We do have time to sit and then how to come up with the proper thing for our own because each and every site has got its own department. There is some ideas that they implement with immediate effect. We sit down with dealership principal (mentioned the name) we agree to it all of us, then we get that the following day when we come those rules you have to obey them, you have to continue with them." (#Participant 8)

Participant 10 pointed that in his dealership they are fortunate to have resources to support innovation, and these resources are shared. Participant 10 is cited saying:

"We're fortunate enough that the resources to our disposal we split amongst the four departments. And so should we need the driver for instance to drop off a customer and we don't have a driver in the service department we then go to the new car department or the used car department and we get a driver from them to assist us to drop off a customer should that be needed. Innovation stage been done, on the top of my heads." (#Participant 10)

Participants 2, 3, 4 and 5 added that the human resources (**internal staff**), and the available resources, including the available **budget,** serve as an internal driver of service innovations in their organisation. The participants are quoted saying:

"Normally, they say customers do not buy cars, but buy people. If they know that you are good they will buy from you, a salesperson is more important than a building." (#Participant 2)

"Human being are more important capital, than anything else, systems comes after, take care of people, people will take care of our customers." (#Participant 2)

"Well what is nice is that we all come with different brands, the other colleagues are from (mentioned three different motor vehicle brands: Audi, Mini and I come from Mercedes) we can suggest that I have seen this done and we present and run with it to improve business." (#Participant 3)

"The organisations gives us resources, stock and know-how so that we produce results." (#Participant 2)

According to Participant 2, the internal staff, particularly their motor retail experience and their backgrounds, are imperative in generating service innovation ideas, as they bring different experiences into the organisation. Participant 2 said:

> *"The manager needs to give salespeople a freedom to think, create a happy environment, when they work in happy environment, you need to create an environment that allows people to think freely, people working in a happy environment tend to be creative." (Participant 2)*

> *"A bottom-up approach is always better than top-down approach, staff is encouraged to come up with new ideas." (Participant 2)*

> *"I mean it must be clear beforehand when those people who are employed here they are, you know, we do explain that, you know, this is the kind of business that we want to achieve and what we do this month might be different to what we do next month." (Participant 5)*

According to Participant 2, a bottom-up approach is important to drive service innovation in his organisation, as it empowers internal staff by giving them the freedom to think and be creative. In addition, the participants alluded that **competition, new technological systems, external networks, such as networks with manufacturers and customers,** serve as the external drivers of service innovation activities in organisations. The verbatim quotes from Participants 1, 2, 4, 7 and 10 are cited below to support the findings explaining how competition, new systems, manufacturers and customers can drive service innovation in their organisations.

> *"We have to learn from our competitors, when we check on warranties if the offer warranties on their cars till 200 000kms while you offer 120 00kms, you have to adjust." (#Participant 1)*

> *"If you are at the top, you cracking from inside and out, and what you look on is what took you to the top, what you do you look on what you other guys around they do, and you counter them." (#Participant 2)*

> *"Externally are the systems, the systems that you bring inside, the motorvade for birthdays, CSI questionnaires that happens every month, which the manufacturer calls customers asks questions such as the dealership provides the service you can trust, does the dealership deliver promises, yes or no." (#Participant 2)*

"If you come with better ways of doing things, like if a customer do make an application, and they get approval within 30 minutes, that's what customers wants, they say you strike while the iron is still hot, you come and sit down with the financial lady to finalise the deal and get the car." (#Participant 2)

"Every month we get manufacturer CSI report, meaning Customer Satisfaction Index so we measure that on how customers are satisfied." (#Participant 2)

"Clients are always changing. People are, you know, they are evolving. I'll put it that way, and the market is always changing, because of that different needs that we have in the dealership and the tighter the competition you also have to stand up. So for us to meet those standards so far, neh, what we do is, we focus more on advertising where because of things that are, everything is going up, we focus more on affordability." (#Participant 4)

"You have to be always one step ahead and it's very difficult because if you come up with a new plan, within a month someone else has adopted your plan as well." (#Participant 6)

"We are more open-minded, right, in terms of doing service innovation initiatives, like ways of doing business and doing deals and all that kind of stuff. I mean, we live in a world where customers are changing, for one and especially like now." (#Participant 7)

"You need to adapt to customer behaviour and customer service, voice of the customer, because that's important to us, voice of the customer and to create an experience that's second to none." (#Participant 10)

Participant 1 added that for service innovation to occur, the dealership's competitors serve as the drivers, as the dealership has to learn from their competitors, for example, if competitors offer higher kilometre warranties, then adjustments will have to be made to improve the service currently being offered to customers. Participants 2 and 6 also supported this view, and indicated that in order to remain at the top, the organisations should be in a position to counter their competitors.

Secondly, according to Participant 2, the manufacturer's CSI (customer satisfaction index) reports serve as a source of information about customers' satisfaction and assist his organisations to come up with new service innovations to improve their service.

Thirdly, according to Participant 2, new systems that can speed up processes in the organisation, can serve as a driver of service innovation. This participant emphasised that a system like motorvade is important, as it is capable of storing customer information, and can speed up the applications process.

Participant 5 added that referrals and repeat business are used as yardsticks to measure the organisation's reputation. Participant 5 is quoted saying:

> *"We work hard on repeat business. You know, there's a bit of a cycle so there might be a customer taking delivery who buys a car. I need to make sure customer comes back here for his service. You know, we've got a big workshop. We need to make sure that he comes back and service with us. We need to make sure that you give us referrals, you know, that we get referrals from you." (#Participant 5)*

Participant 6 supported Participant 5's view regarding the referrals generated by existing customers, indicating the importance of these customers as they offer word-of-month to others. Participant 6 is cited saying:

> *"Because without your current customers, you can't only depend on a customer you don't know. You need the customers that you do know. So in terms of new initiatives we have to always try to make it easier for our current customers and then word of mouth is always your best weapon." (#Participant 6)*

According to Participant 7, open-mindedness does exist in his dealership and service innovations are necessary, as customers are changing. However, Participant 8 added that the development of new ideas for service innovations should be based on honesty, in order to bring business performance or results to the organisation. To justify this finding, the participant is quoted saying:

> *"And to be honest. Those are the most important thing that you normally, they are there and then even when you're going to come with new ideas but you must revolve around time. How much time are you going to use on doing that? Will it benefit you or only you as a salesperson or will it benefit the whole company." (#Participant 8)*

The next sub-section presents the findings related to secondary research objective 3.

6.3.3 Secondary research objective 3

The third **secondary research objective** meant to identify the barriers that hinder the implementation of MVRs' service innovation practices. To realise this secondary research objective, the participants were asked the following question, namely:

1) What are the barriers that hinder the implementation of MVRs' service innovation practices?

The participants identified the following barriers in the implementation of service innovation activities:

- 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 persevering with a new idea long enough,
- personal bias,
- competition,
- government legislation,
- staff cultural background, and
- age

The verbatim quotes of Participants 1, 2, 3, 5, 6, 7, 8, 9 and 10 are cited below to support the findings presented above:

"Internal consultant may not buying into the new idea, they may say I don't believe in the idea." (#Participant 1)

"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)

"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)

"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)

"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)

"You know, at dealership level it's much smaller than what it would be at manufacturer's level but, ja, 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)

"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. Ja, those are the things really that I can point out." (#Participant 9)

"Yes. If you look at it from the perspective, yes. However, from your own perspective you still feel that it's something that should be done but you understand why someone does not, they don't see it the same way." (#Participant 9)

"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)

According to Participant 1, lack of buy-in or acceptance of new service innovation ideas, and financial resources, particularly, the available budget which is linked to the

profit being generated can serve a barrier to the implementation of service innovation activities. Participant 8 alluded that not all internal staff accept new service innovation ideas during brainstorming sessions. According to Participant 2, fear of change can serve as barrier to the implementation of service innovation, as internal staff members tend to be comfortable with the *status quo*.

According to Participant 2, competition standards set by the government and regulatory bodies, such as the Competition Commission, can serve as barriers for the implementation of service innovation activities. Similarly, according to Participant 3, franchise and franchisee agreements can serve as a barrier to the implementation of new service innovation activities, as some of the activities can fall outside the business standards prescribed in agreements.

Participant 5 stated that a SWOT analysis should be carried out before the service innovation ideas are presented to management, and he affirmed that these ideas should fall within certain budget limits to eliminate possible barriers to the implementation. Participant 5 is cited saying:

> *"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)*

According to Participant 9, age and personal bias due to different perspectives can lead to the acceptance or rejection of a service innovation campaign. Participant 6 added that the challenges in implementing service innovations are about selling the new initiative to the customers, and believing in the plan and not giving up too early on the project. Participant 6 said:

> *"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)*

Participant 4 pointed out easy service innovation activities that bring results can overcome the barriers of service innovation implementation. The participant is cited saying:

"You know, so you want it very easy. You want, anything that is very easy it is easy to implement. So that's what we focus on, simple things that are easy to implement. Instead of me selling 17 cars, or 15 or 12 cars, I'm now going to sell six cars. So we need to focus on that as well, because if it takes longer for us to get the car out then it means that you will sell less. You have less time to work on other things." (#Participant 4)

The next sub-section presents the findings related to secondary research objective 4.

6.3.4 Secondary research objective 4

The fourth **secondary research objective** aimed to determine how MVRs measure the influence of service innovation practices on business performance. To achieve this secondary research objective, the participants were asked the following question, namely:

1) How do MVRs measure the influence of service innovation practices on business performance?

The participants indicated that the use sales returns, profit, customers' enquiries, repeat business and feedback questionnaires are used to measure the service innovation performance in their respective organisations. The participants' verbatim quotes are provided to support the mentioned findings. The participants are cited below saying:

"Obviously by getting business in return for whatever service innovation you brought in, if you're making money, making profit." (#Participant 1)

"We send questionnaires and call customers to check if the they are still happy about the service we have rendered." (#Participant 1)

"Whether you retail the car or service a car, all is measured as to whether we also see with a level of activity, if the level of activity is visible, how many people are coming in, how many people are phoning in or e-mailing, we can see that the campaign is working." (#Participant 3)

"Reputation is measured on repeat business, the amount of repeat business, the people who are moving to Johannesburg, but you do get loyal customers who come and buy or service cars from this dealership." (#Participant 3)

“We measure the success directly; we measure each salesperson’s daily activities.” (#Participant 2)

“We measure that on how customers are satisfied if you are at 99 and moving towards 100 it shows your systems are working, and if you were at 100 and you move to 99, it means there is problem.” (#Participant 2)

“Look I mean the sales would measure that. I mean you have to, you know, the first thing is when the customer walks in here, how did you hear about us.” (#Participant 5)

“We have an internal company that we contract to or they contract to us. They phone our customers for us after delivery to understand their experience with us and score us accordingly. So in between the manufacturer calling them and them taking delivery of their vehicle we have that period to make sure that the customer is completely satisfied. In other words if there was any problems with our personal company product, we would then be able to address it then before the manufacturer phone and get a poor rating. So at the end of the day we all measured on a 100% score. Anything less also has financial detriments to us from incentive pay-outs.” (#Participant 5)

“Then when you’re doing the qualifying on the client you’ll always, always add that thing on the side. It will ask you where is the lead from.” (#Participant 6)

“When the customers the complaints are less and the customers are coming here, going back home, happy. That’s how we measure it.” (#Participant 8)

“So as a follow-up we have a lady in place to do those follow-up calls. So before innovation or before each will phone the customer that the problem is already solved even before they phone the customer. So we’ve got somebody that does phone each and every client that was here for a service, the next day.” (#Participant 10)

“After the customer has been informed that the vehicle is ready for collection, we have a system whereby we are rated by the customer 1 to 5, and if there is any improvements or if there’s anything else than the experience that the customer had with us whereby we can improve on it is noted on the job card and then that is taken forward to management so that we can improve on our customers’ past experiences.” (#Participant 10)

"How we measure that all the quotes for the workshop gets printed on a daily basis. So if there's 10 quotes we've got a lady that if there's a declined quote she will then immediately phone the customer and try to convert that declined quote into a sale. So at the end of the week we've got say a 100 quotes with the sales and that's how we measure that in terms of sales performance if I can --- already checked it or declined quotes. That's how we measure that on a weekly basis." (#Participant 10)

According to Participants 1, 2 and 3, the influence of service innovation activation activities is measured by inspecting the financial returns in their organisations. Participant 1 states that questionnaires are used in his organisation to evaluate if customers are happy with the service rendered. According to Participant 2, the organisational reputation of his organisation is measured by looking at the amount of repeat business from existing customers, for example, looking at customers travelling long distances to acquire service from his dealership.

According to Participant 8, business performance derived from service innovations are measured through a reduction in complaints, and an increase in the number of customers coming to the dealership, and measuring the customers' satisfaction with an organisation' s service. According to Participant 10, each customer is required to rate the organisation's services on a 1 to 5 scale which is used to guide if improvements need to be made in certain areas of operations. However, Participant 4 argued that the results of service innovation campaigns are not necessarily measured by the immediate purchase of a vehicle, but rather by the customers experiencing the products and the impact thereof. Participant 4 is cited saying:

"So far, test drive has done wonders, you know? Although 50% or 60% of those clients won't buy but now they've got a taste of what the brand is. So there, the test drive made a huge impact." Unfortunately, out of the nine test drives I will go to, I might only secure one deal but that's very good. One deal out of nine test drives is good. If I do 20 test drives it means I'll have a round 2. It's a bad average when you're looking at it in terms of numbers, but it's worth it. The two cars that you will sell, it means there is two more cars that will be seen on the road which will give you three more cars in future." (#Participant 4)

Participant 9 alluded the results of service innovation activities linked to events are measured through the turnout of target audiences, social media visibility, and increased sales. Participant 9 is cited saying:

"It's a number of things. The turnout was good. A lot of pictures were taken and on that day we were very visible on social media which was the goal. And the following month my personal sales were very good, the best that I've ever had." (#Participant 9)

Participant 6 pointed out that they offer overnight repair services to customers and it is easy to measure the service innovations after implementation, specifically with service repairs bookings, as this is non-financial and related to organisational reputation. Participant 6 is quoted saying:

"That is pretty easy. Like I said, I mean if you look at the night service you just look at booking. It's on a report and there's no real financial or I don't look at the financials. That I look at a monthly basis but if I look at the booking list, I can go now and have a look at how many cars are booked overnight." (#Participant 6)

Participant 6 also added that after services are rendered to customers, agents contact customers to rate the service level in terms of satisfaction. Participant 6 is quoted saying:

"We've got two PSE agents on our floor as well which after every service, every vehicle that's being delivered, receives a call in terms of satisfaction from the dealership side as well but that is mostly measured by, or the measurement results come from the vehicle manufacturer (OEM)." (#Participant 6)

The next sub-section presents the findings related to secondary research objective 5.

6.3.5 Secondary research objective 5

The fifth **secondary research objective** aimed to determine employees' perceptions regarding the environmental factors that can influence the relationship between service innovation and business performance. In order to address this secondary objective, the following question was asked:

1) What are the environmental factors that can influence the relationship between service innovation and business performance?

Participants 1, 2, 3, and 10 identified competition, political uncertainty and changes in interest rates as possible factors that can influence the relationship between service innovation and business performance. The participants indicated that the level of competition in the motor retail is intense. In addition, Participant 2 argued that in order

to avoid the depletion of the influence of service innovation activities on business performance due to changes in interest rates, the organisation needs to be smart and creative. Participant 1 also shared this view by highlighting that adjustments need to be made to cover costs. The participants' verbatim quotes are provided below to justify these findings.

"The competition is intense, is if you look around there is two, three, and four dealerships around." (#Participant 2)

"The level of competition is high, the market is tight now, we are more facing recession, we have to work harder." (Participant 3)

"The competition is very high, banks are competing each other, even the competition within same brand exist." (Participant 3)

"You need to be smart, if the increase in repo rate then increase interest rate to 0.25, you say to the customer the interest rate was 10 percent is 10.25 and the impact on the instalment, now is can you see that instead of paying R1 000 you will pay R1 050, then you say Mr Customer I will give you a discount of R5 000." (#Participant 2)

"Interest rate, if the interest rate has increased we operate within a margin, we adjust our prices to cover costs." (#Participant 1)

We always do that and we've always got scheme deals which you pay less than prime. Those less than prime deals that is what we focus mainly on because if your instalment is lower than you are more comfortable. The more the client is more comfortable, the more clients they will send to you." (#Participant 4)

"Macro and micro. The reason why I say that, inflation, interest rates, petrol price hikes. To give you an example, a customer - if there's a price increase or if there's a percentage hike inflation customers tend to drive the vehicles a bit longer. Instead of the 10 000 or doing the 20 000 service he will drive it until 30 000 or he'll drive it until 35 000. What we have seen the owners of vehicles five years and older they don't come back to our dealerships anymore. They go to the competitor and the competitor in the Bosch service centres of the world, Big Joe service of the world because of rates and cents because we have a standard labour rate on vehicles." (#Participant 10)

Participant 3 added that in the past year, various service innovation activities had been initiated, but they could not yield results due to the economic downturn, and customers preferred to buy at a variable interest rate due to the uncertain political state in the country. Participant 3 is cited below saying:

"In terms of interest rate, customers preferred to go with variable interest rate which is 2 per cent lower to fixed interest rate because customers were not sure about what will happen to the economy."(#Participant 3)

"The sales in premium segment started after big political change that took place in December, building to that people were not buying." (#Participant 3)

"If you can look on the third quarter of 2017, we tried a lot of initiatives; customers could not buy cars because they were not sure about political situation." (#Participant 3)

"I mean, talking about stuff like that I have no doubt, you know, economical. The fact is that these factors have effect to business, you know, most businesses sell vehicles from 100 000 up to 600 000 and if the economy is in trouble we do not sell too many R600 000 vehicles." (#Participant 5)

"We do feel it but when things get tough we have to get smarter, you know, when you have to come up with innovative ideas they follow up and follow up and follow up and chase and chase and, you know, try different things because if you don't you're going to become the victim." (#Participant 5)

Participant 6 stated that economic instability has negatively influenced some of the service innovation activities. Participant 6 emphasised that the impact of the economy is visible when customers can just afford to pay for the vehicle repair service and are unable to pay for other repairs, such as wheel balancing. Participant 6 said:

"I mean some of them they wouldn't because I mean from an overnight service point of view, external factors is going to hardly have a difference. It is going to have an impact on the daily's I mean where people do not have money. I have seen when the economy is not really in great shape people do not have the money to do wheel balancing and alignment additionally to just their service." (#Participant 6)

However, Participant 6 alluded that political uncertainty in the country has influenced business sales, but not new service innovations. Participant 6 also added that interest

rates have influenced the activities of dealerships in South Africa in comparison with those in other countries. To justify these findings, Participant 6 is cited saying:

> *"I don't think the external factors has got an influence on new service innovation initiatives per se. I think there are many cost questions that are being asked to see how we are going to create stability in terms of politics. I mean in terms of our small SUV sales and commercial vehicle sales, your bakkies, etcetera, we can see a decline currently and it is not only in our dealership. It is through the board. We generally sell a lot of vehicles to farmers, but there's a lot of uncertainty." (#Participant 6)*

> *"The interest rate, if you look at a place like Australia or America where you pay 1% interest rate versus ours that is, currently I mean our average that we sell cars at is probable round about 12%. You know, interest rate definitely has a, if there's a spike in the interest rate it immediately has but it's got an influence on the total market, not only on new initiatives." (#Participant 6)*

Participant 9 agreed that there are a lot of external factors, such as interest rates and seasonal factors that can influence the relationship between service innovation activities and business performance, for example, during school holidays when customers leave the province. In addition, Participant 9 alluded that some of these factors can be addressed by making some adjustments. Participant 9 is cited saying:

> *"So personally I don't focus on it too much. However, there are lot of factors. If you do something when it's school holidays it can, if it's, you can find that your turnout is low because in Gauteng during school holidays people tend to leave. People in Pretoria, Gauteng, a lot of them are not from here. Therefore come school holidays, they go and whether it's the coast or to Limpopo or North West, wherever. So those are external factors which can influence the turnout or the performance. Weather can play a part. You know, things like an interest rate going up or down can play a part. So there's a lot of external factors, some of which you can sort of adjust to. Then there's others that are just beyond your control." (#Participant 9)*

> *"They hear an announcement of an interest rate, positive or negative and it influences them, that's beyond your control in the sense that that person is on the road driving from work to the office and they hear the announcement on the radio. You don't have any control over that over how it impacts that person." (#Participant 9)*

Participant 9 emphasised that it is important to implement formulated strategies quickly, to have confidence in the strategy and to make the necessary changes where practical. Participant 9 said:

> *"Yes, it can affect you and then whoever brings that to market quicker as well. Speed to market is a factor but once again you have to have your own strategy which you have confidence in and implement it as much as possible and adapt when and where it's necessary and possible." (#Participant 9)*

Participant 7 argued that the economy does not necessarily influence the relationship between service innovations and business performance, as during an economic recession some customers will still buy expensive motor vehicles for cash. However, the participant agrees that interest rates do influence business performance in terms of sales. Participant 7 is cited saying:

> *"To be honest with you, when it comes to like the, if I look at South Africa's economy where we are, definitely there is a drop in sales like by, this year to last year, but there is a decline in the market but there are still people buying cars. So that's when now marketing becomes very important because the reality is that even when we are, they say, okay, we're under recession, right? There is still people coming in buying a car for R2 million cash. Then due to interest rates and all that the instalment is more than what they budgeted. It is more than that, maybe say by 1 000, it is 7. Then they will pull out of the deal and say, you know what, this will be too much, I can't but on the other end we still get guys that come and buy cash." (#Participant 7)*

The next sub-section presents a summary of the findings of the in-depth interviews that were conducted during the qualitative phase of the research study.

6.3.6 Summary of the qualitative findings

The findings from the qualitative phase of this study are presented below.

Secondary research objective 1:

- The type of service innovation activities used in MVRs are marketing innovations which are linked to promotions (marketing communication), technology usage, customer service, after-sales services, physical environment, pricing, internal processes, and products being offered to customers.

- New technology in the form of social media platforms, such as WhatsApp, Instagram, and Facebook, are embraced in efforts to share information and images with customers. The participants further indicated that customer service and after-sales service are used as part of the service innovation to add value to customers.
- Improvements to internal processes, as part of service innovation, include quicker and improved turnaround times on applications in the sales process.
- The organisations check the quality of the cars before they are delivered to customers in efforts to add value when delivering to these customers. Extended warranties on vehicles, overnight and Saturday service repairs have been introduced in dealerships as part of service innovation.
- A top-down approach is used in the organisation emphasising that innovations should be introduced in a manner that can be easily implemented.

Secondary research objective 2:

- The management support, internal human resources, available budget and external factors, such as networks and a need to improve business returns, serve as the drivers of service innovations in MVRs.
- The internal staff can present any idea that can result in a business return, but these ideas should fall within the ethics and frameworks of the organisation.
- The financial resources, such as the available budget, serve as an internal driver of service innovations in an organisation.
- Franchise and franchisee agreements, competition, government legislation, competition standards set by other regulatory bodies, such as the Competition Commission, difficulty in selling a new idea to customers, and not persevering with a new idea long enough for it to bear fruit, can serve as barriers or challenges in the implementation of service innovation activities.
- A bottom-up approach is important to drive service innovation in organisations, as this can please the internal staff and they enjoy the freedom to think and become creative.
- In addition, the participants maintained that **competition, new systems and external networks,** such as manufacturers and customers, serve as the external drivers of service innovation in organisations. Competitors serve as a driver, as the dealership has to learn from its competitors, for example, if the competitors offer

higher kilometres warranties, adjustments need to be made to improve the service offered to customers. The organisations should be in a position to counter their competitors. Manufacturers' CSI (customer satisfaction index) reports serve as a source of information about customers' satisfaction and can assist the organisations to come up with new service innovations with which to improve their service offering. The adoption of new systems that can speed up the internal processes in the organisation can serve as a driver of service innovation.

Secondary research objective 3:

- Lack of buy-in or acceptance of new service innovation ideas and financial resources, particularly, the available budget which is linked to the profit generated, age, cultural background, individual bias, and poor internal communication can serve as barriers to the implementation of service innovation activities.
- Resistance to change can serve as a barrier to the implementation of service innovation, as internal staff members tend to be complacent and are satisfied with the *status quo*.
- Competition standards set by the government and regulatory bodies, such as the Competition Commission can serve as barriers for the implementation of service innovation activities.
- Franchise and franchisee agreements can serve as a barrier to the implementation of new service innovation activities, as some of the activities can fall outside the business standards prescribed in agreements.

Secondary research objective 4:

- The influence of service innovation activation activities is measured by inspecting the financial returns in the organisations.
- Feedback questionnaires are used in organisations (MVRs) to evaluate whether customers are happy with the service rendered.
- The organisational reputation is measured by investigating the amount of repeat business from existing customers, for example, looking at customers travelling long distances to acquire service from the specific dealership.

Secondary research objective 5:

- Political uncertainty, linked to economic instability, inflation and changes in interest rates are possible factors that can influence the relationship between service

innovation and business performance. Various service innovation activities were initiated, but could not yield results due to the economic downturn, and customers preferred to buy at a variable interest rate, due to the uncertain political state in the country.

- The level of competition in the motor retail is intense. The participants argued that in order to avoid the depletion of the influence of service innovation activities on business performance due to changes in interest rates, organisations need to be smart, creative and innovative. Participants argued that adjustments need to be made to cover costs and counter the competition.

6.4 QUANTITATIVE RESEARCH RESULTS

This section presents the results and interpretations of the quantitative research results of this study derived from the quantitative phase. Firstly, this section will present the demographic profiles of respondents in the quantitative phase in terms of gender, race, school qualifications, and number of years in position to reflect experience using descriptive statistics. Secondly, the sample realisation in this study will be presented. Thirdly, this section presents the results and interpretations of the research results of this study based on each of the secondary research objectives formulated for the quantitative phase descriptively using linear regression and multiple regression tests.

6.4.1 Demographic profiles of respondents

This study aimed to achieve a minimum sample of 300 respondents from three major cities in Gauteng, South Africa:

- One hundred elements from the City of Tshwane
- One hundred elements from the City of Ekurhuleni
- One hundred elements from the City of Johannesburg

Three hundred questionnaires were distributed for completion in the three major cities of Gauteng, South Africa. According to Cooper and Schindler (2011:374), a larger sample is required in a quantitative study when using descriptive surveys. Hence, a larger sample was targeted in this study.

The next sub-sections present the results regarding the demographics of respondents based on the questions in Section A of the questionnaire used in this study.

6.4.1.1 Gender

Table 6.3 indicates the gender of the respondents.

Table 6.3: Respondents' gender

Gender	Respondents	Percentage
Male	218	81
Female	50	19
Total	**268**	**100**

Table 6.3 depicts that overall, males were in the majority at 218 (81%), while there were 50 female respondents, translating to 19%.

6.4.1.2 Race

Table 6.4 indicates the race of the respondents.

Table 6.4: Respondents' race

Race	Respondents	Percentage
Black	116	43
Coloured	75	28
White	77	29
Total	**268**	**100**

Table 6.4 indicates that overall, Blacks respondents constituted a high percentage in the study at 43%, followed by White respondents at 29%, while 75 Coloured respondents made up 28% of the respondents, and there were no Indian respondents.

6.4.1.3 Age group

Table 6.5 indicates the age groups of the respondents.

Table 6.5: Age groups of respondents

Years	Respondents	Percentage
m. 25 – 34	156	58.2
t. 35 – 49	108	40.3
g. 50 +	4	1.5
Total	**268**	**100**

Table 6.5 indicates that the majority of the respondents were within the age-group of 25 to 34 years (58.2%), followed by respondents within the age group of 35 to 49 years (40.3%) while the respondents within the age group of 50 years and above were in the minority (1.5%).

6.4.1.4 Work experience

Table 6.6 presents the results regarding the work experiences of respondents in terms of the number of years in the motor retail industry.

Table 6.6: Work experience of respondents

Work experience	Respondents	Percentage
3-5 years	48	17.9
6-10 years	180	67.2
11-20 years	39	14.6
21 years	1	0.6
Total	**268**	**100**

Table 6.6 indicates that the majority of the respondents have 6 to 10 years' work experience in the motor retail industry (67.2%). The minority of the respondents have 21 years of work experience (0.6%), followed by respondents with 11 to 20 years of work experience (14.6%), and respondents with 3 to 5 years of work experience (17.9%).

6.4.1.5 Educational background

Table 6.7 indicates the educational background of the respondents.

Table 6.7: School background of respondents

School education	Respondents	Percentage
Grade 12 and 1-2 years' post-school qualification	67	25
Grade 12 and 3-year post-school qualification	177	66
Grade 12 and 4-year post-school qualification	21	8
Not mentioned above	3	1
Total	**268**	**100**

Table 6.7 indicates that the majority of the respondents have a Grade 12 and 3-year post-school qualification (66%), followed by respondents with Grade 12 and 1 to 2

years' post school qualification (25%). The minority of the respondents have a Grade 12 and 4-year post school qualification, while 1% of the respondents did not mention their qualifications.

6.4.1.6 Organisation's age

Table 6.8 indicates the age of the organisations that the respondents originate from.

Table 6.8: Organisation's age

Organisation's years in existence	Responses	Percentage
5-10	14	5.2
11-20	150	56
21 and above	103	38.4
Total	**253**	**100**

Table 6.8 depicts the number of years (the age) that the MVRs included in this study have been in existence. The majority of MVRs have been in operation for 11 to 20 years (56%), followed by MVRs that have been in operation for 21 years and above (38.4%). The minority of MVRs have been in operation for 5 to 10 years (5.2%).

6.4.1.7 Sample realisation

The quantitative phase of this study was conducted among customer-contact employees of MVRs, located in the City of Ekurhuleni, City of Tshwane and the City of Johannesburg in Gauteng, South Africa.

Considering that the purpose of the study is to determine the employees' perceptions regarding the influence of MVRs' service innovation practices on business performance, it was important that the selected respondents were representative in proportion to the population.

Because non-probability sampling was used, the results obtained from this study cannot be generalised to the entire population (Malhotra, 2010:384), however, the data provided through the sampling method depicts accurate estimates of the characteristics of the population.

Table 6.9 below depicts the sample realisation rate.

Table 6.9: The sample realisation rate

City	Targeted sample size	Realisation rate	Realisation percentage
City of Ekurhuleni	100	85	85
City of Johannesburg	100	89	89
City of Tshwane	100	94	94
Total	**300**	**268**	**89.3**

Table 6.9 shows that the majority of the respondents came from MVRs in the City of Tshwane (94%), followed by respondents from MVRs in the City of Johannesburg (89%), and respondents from MVRs in the City of Ekurhuleni (85%). On average, all respondents participated in this study represented an 89.3% response rate.

This responses rate conforms to Babbie and Mouton's (2001:261) guideline for a good response rate of at least 65%. Considering the high response rate obtained in the current study, non-response bias was not regarded as a problem.

6.4.2 Descriptive results

This section presents the descriptive results and interpretations taken from the quantitative results of this study.

6.4.2.1 Service innovation practices/activities

This sub-section outlines the results of Section B of the questionnaire that included questions about the MVRs' service innovation practices. The respondents were required to indicate their level of agreement with statements related to service innovation practices/activities, and rate each of the statements adapted from previous literature.

Table 6.10 (on the next page) provides the mean scores and standard deviations of the question statements that were used to determine the level of agreement regarding service innovation activities.

Table 6.10: Service innovation practices/activities

Service innovation practices	Mean	Standard Deviation (SD)
Our organisation frequently tries new ideas in its service offerings	4.31	0.524
Our organisation is the first to introduce new service delivery methods	3.42	0.922
Our management seeks out new ways of doing things	4.39	0.496
Our organisation has creative ways of doing business	4.71	0.455
Our organisation is the first to introduce new services	3.38	1.005
Our organisation uses up-to-date technologies	4.64	0.488
Our organisation uses new marketing methods	4.65	0.479
Our organisation develops new ways of establishing relationships with customers	4.70	0.475
Our organisation spends resources on research and development for new services delivery processes	4.54	0.556
Our organisation frequently introduces new management systems	2.84	1.486

Table 6.10 shows that the respondents strongest level of agreement was with the statements “Our organisation has creative ways of doing business” (mean = 4.71), “Our organisation develops new ways of establishing relationships with customers” (mean = 4.70), “Our organisation uses new marketing methods” (mean=4.65), and “Our organisation uses up-to-date technologies” (mean = 4.64). The statements with the lowest level of agreement include “Our organisation frequently introduces new management systems” (mean = 2.84), “Our organisation is the first to introduce new services” (mean = 3.38).

The overall standard deviations (SD) for the ten statements range between 0.455 and 1.486.

6.4.2.2 Financial performance: Profit growth

This sub-section outlines the results of the first part of Section C of the questionnaire that included questions about the influence of MVRs’ service innovation practices on business performance, particularly, profit growth.

Table 6.11 below provides the mean scores and standard deviations of the question statements used to determine the level of agreement with the statements regarding the influence of service innovation practices on profit growth.

Table 6.11: Financial performance (profit growth/maximisation)

Financial performance - Profit growth/maximisation	Mean	Standard Deviation (SD)
Our organisation has increased profit margin in the market due to new service innovations	4.42	0.565
Our organisation has increased sales growth of new service innovations	4.53	0.500
Our organisation has increased return on investment of new service innovations	4.59	0.493
Our organisation has increased market share of new service innovations	4.53	0.638

Table 6.11 shows that the respondents' strongest level of agreement was with the statements "Our organisation has increased return on investment of new service innovations" (mean = 4.59), followed by "Our organisation has increased sales growth of new service innovations" and "Our organisation has increased market share of new service innovations", both with a (mean = 4.53). "Our organisation has increased profit margin in the market due to new service innovations" (mean=4.42).

The standard deviations (SD) for the four statements range between 0.493 and 0.638.

6.4.2.3 Financial performance: Organisational competitiveness

This sub-section outlines the results of the second part of Section C of the questionnaire that included questions about the influence of MVRs' service innovation practices on business performance, specifically, organisational competitiveness.

Table 6.12 presents the mean scores and standard deviations of the question statements used to determine the level of agreement with the statements regarding the influence of service innovation practices on organisational competitiveness.

Table 6.12: Financial performance (Organisational competitiveness)

Financial performance: Organisational competitiveness	Mean	Standard Deviation (SD)
Our organisation has increased profit margin relative to competitors in the market	4.32	0.649
Our organisation has increased sales growth of new service innovations relative to competitors in the market	4.47	0.589
Our organisation has increased return on investment of new service innovations relative to competitors in the market	4.56	0.574
Our organisation has increased market share of new service innovations relative to competitors	4.52	0.656

Table 6.12 indicates that the respondents' strongest level of agreement was with the statements "Our organisation has increased return on investment of new service innovation relative to competitors in the market" (mean=4.56), "Our organisation has increased market share of new service innovation relative to competitors" (mean = 4.52), followed by "Our organisation has increased sales growth of new service innovations relative to competitors in the market" (mean=4.47), and "Our organisation has increased profit margin relative to competitors in the market" (mean = 4.32).

The standard deviations (SD) for the four statements range between 0.574 and 0.656.

6.4.2.4 Non-financial performance: Organisational reputation

This sub-section outlines the results of the third part of Section C of the questionnaire that included questions about the influence of MVRs' service innovation practices on business performance with respect to their organisational reputation.

Table 6.13 provides the mean scores and standard deviations of question statements used to determine the level of agreement with the statements regarding the influence of service innovation practices on organisational reputation.

Table 6.13: Non-financial performance (organisational reputation)

Non-financial performance - Organisational reputation	Mean	Standard Deviation (SD)
Stakeholders admire our organisation	4.15	0.430
Stakeholders trust our organisation	4.75	0.442
Stakeholders stand behind our organisation's innovative services	4.41	0.493
Stakeholders are aware that our organisation maintains high standards in treating people	4.76	0.438
Stakeholders have good feelings about our organisation	4.31	0.525
Our organisation has excellent leadership that supports innovativeness	4.80	0.408
Stakeholders view our organisation as an organisation with strong prospects for future growth	4.43	0.675
Stakeholders are aware that our organisation is well managed	4.78	0.452
Our organisation looks like a good organisation to work for	4.83	0.374

Table 6.13 shows that the respondents' strongest level of agreement was with the statements "Our organisation looks like a good organisation to work for" (mean=4.83), "Our organisation has excellent leadership that supports innovativeness" (mean = 4.80), followed by "Stakeholders are aware that our organisation is well managed" (mean=4.78), "Stakeholders are aware that our organisation maintains high standards in treating people" (mean=4.76) and "Stakeholders trust our organisation" (mean = 4.75). While, the statements "Stakeholders admire our organisation" and "Stakeholders have good feelings about our organisation" were lowest, both at (mean=4.15) and (mean=4.31) respectively.

The standard deviations (SD) for the ten statements range between 0.374 and 0.675.

6.4.2.5 Environmental dynamism

This sub-section outlines the results of the first part of Section D of the questionnaire that included questions about the moderating role of environmental dynamism on the relationship between MVRs' service innovations and business performance.

Table 6.14 presents the mean scores and standard deviations of the question statements used to determine the level of agreement with the statements regarding environmental dynamism.

Table 6.14: Environmental dynamism

Environmental dynamism	Mean	Standard Deviation (SD)
Environmental changes in our market change fast	4.66	0.556
Our customers regularly demand new service offerings	2.36	1.307
In our market, changes are taking place continuously	3.98	0.762
In the past year, our market has changed significantly due to environmental instability	4.60	0.715
In the past year, volumes of products and services to be delivered to customers have changed fast and often	3.40	1.341
In the past year, our innovation business performance has changed due to economic instability in our market	2.99	1.683

Table 6.14 shows that the respondents' strongest level of agreement was with the statements "Environmental changes in our market change fast" (mean=4.66), "In the past year, our market has changed significantly due to environmental instability" (mean = 4.60), followed by "In our market, changes are taking place continuously" (mean=3.99). While, the respondents' lowest agreement was with the statements "Our customers regularly demand new service offerings" (mean=2.36) and "In the past year, our innovation business performance has changed due to economic instability in our market" (mean = 2.99).

The standard deviations (SD) for the six statements range between 0.574 and 1.683.

6.4.2.6 Environmental competitiveness

This sub-section outlines the results of the second part of Section D of the questionnaire that included questions about the moderating role of environmental competitiveness on the relationship between the service innovation practices of MVRs and business performance.

Table 6.15 below presents the mean scores and standard deviations of the question statements used to determine the level of agreement with statements regarding the environmental competitiveness.

Table 6.15: Environmental competitiveness

Environmental competitiveness	Mean	Standard Deviation (SD)
Competition in our market is intense	4.84	0.485
Our organisation has relatively strong competitors	2.88	1.307
Our market is characterised by strong price competition	3.73	1.492
Our market is characterised by tight profit margins due to competitors	4.12	0.596
Our market is characterised by tight cash flows due to competitors	4.21	0.650
In the past year, our innovation business performance has changed due to increased competition in our market	4.03	1.153

Table 6.15 shows that the respondents' strongest level of agreement was with the statements "Competition in our market is intense" (mean=4.84), and "Our market is characterised by tight cash flows due to competitors" (mean = 4.21), followed by "Our market is characterised by tight profit margins due to competitors" (mean=4.12). While, the respondents' lowest agreement was with the statements "Our organisation has relatively strong competitors" (mean=2.88) and "Our market is characterised by strong price competition" (mean = 3.73).

The standard deviations (SD) for the six statements range between 0.485 and 1.492.

6.4.3 Validity and reliability

To assess the validity of the measuring scales, exploratory factor analysis (EFA) was performed on all the items in the measuring instrument. Principal component analysis (PCA) and varimax raw were specified as the extraction and rotation methods. The explained percentage variance and the factor loadings (greater than 0.4) were considered when assessing the validity of the measuring instrument.

Factorability of the data was assessed using two statistical diagnosis measures, namely, the Kaiser-Meyer-Olkin (KMO) measure of sample adequacy and Barlett's test of Sphericity. According to Tabachnick and Fidell (2013) the minimum value of KMO should be 0.6 for a good factor analysis. Bartlett's test of Sphericity should be significant (i.e p-value<0.05). Following Kaiser's criterion factors with 1 Eigenvalue are retained from extraction. Kaiser's criterion states that only factors with Eigenvalue values of 1 and above are retained in the solution (Kaiser, 1970).

Table 6.16 present the results of the KMO measure of sample adequacy and Bartlett's test of Sphericity.

Table 6.16: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.672
Bartlett's Test of Sphericity	**Approx. Chi-Square**	2144.180
	df	253
	Sig.	.000

Thirty-nine factors relating to service innovation practices, business performance (profit growth, organisational competitiveness, and organisational reputation), environmental dynamism and environmental competitiveness were factor analysed using PCA with varimax rotation.

The KMO measure of sampling adequacy was 0.672, and Bartlett's test of sphericity was significant ($\chi 2$ (253)=2144.180, p=<0.001).

Using eigenvalues >1 to determine the underlying components, the data analysis yielded 8 factors explaining a total of 67.49% of the variance in the data as depicted in Table 6.17 (on the next page).

Factor one explained 11.76% variance, factor two explained 22.08% variance, factor three explained 32.15% variance, factor four explained 40.94% variance, factor five and six explained 49.07% and 55.80% variance, respectively, and factor seven and eight explained 62.17% and 67.50% variance, respectively.

Table 6.17: Total variance explained

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.201	18.266	18.266	4.201	18.266	18.266	2.707	11.767	11.767
2	2.912	12.661	30.926	2.912	12.661	30.926	2.373	10.315	22.083
3	1.969	8.560	39.486	1.969	8.560	39.486	2.315	10.065	32.148
4	1.595	6.937	46.423	1.595	6.937	46.423	2.021	8.787	40.935
5	1.443	6.273	52.696	1.443	6.273	52.696	1.871	8.136	49.072
6	1.231	5.351	58.047	1.231	5.351	58.047	1.547	6.727	55.799
7	1.154	5.019	63.066	1.154	5.019	63.066	1.465	6.368	62.166
8	1.019	4.432	67.499	1.019	4.432	67.499	1.226	5.332	67.499
9	.931	4.050	71.548						
10	.828	3.599	75.147						
11	.774	3.364	78.511						
12	.761	3.309	81.820						
13	.664	2.886	84.706						
14	.577	2.508	87.213						
15	.558	2.427	89.640						
16	.416	1.811	91.451						
17	.413	1.796	93.247						
18	.379	1.647	94.894						
19	.331	1.441	96.335						
20	.272	1.182	97.516						
21	.251	1.091	98.608						
22	.222	.966	99.574						
23	.098	.426	100.000						

Extraction Method: Principal Component Analysis.

Using a scree plot and eigenvalues >1 to determine the underlying components, the analysis yielded eight factors as depicted in Figure 6.1.

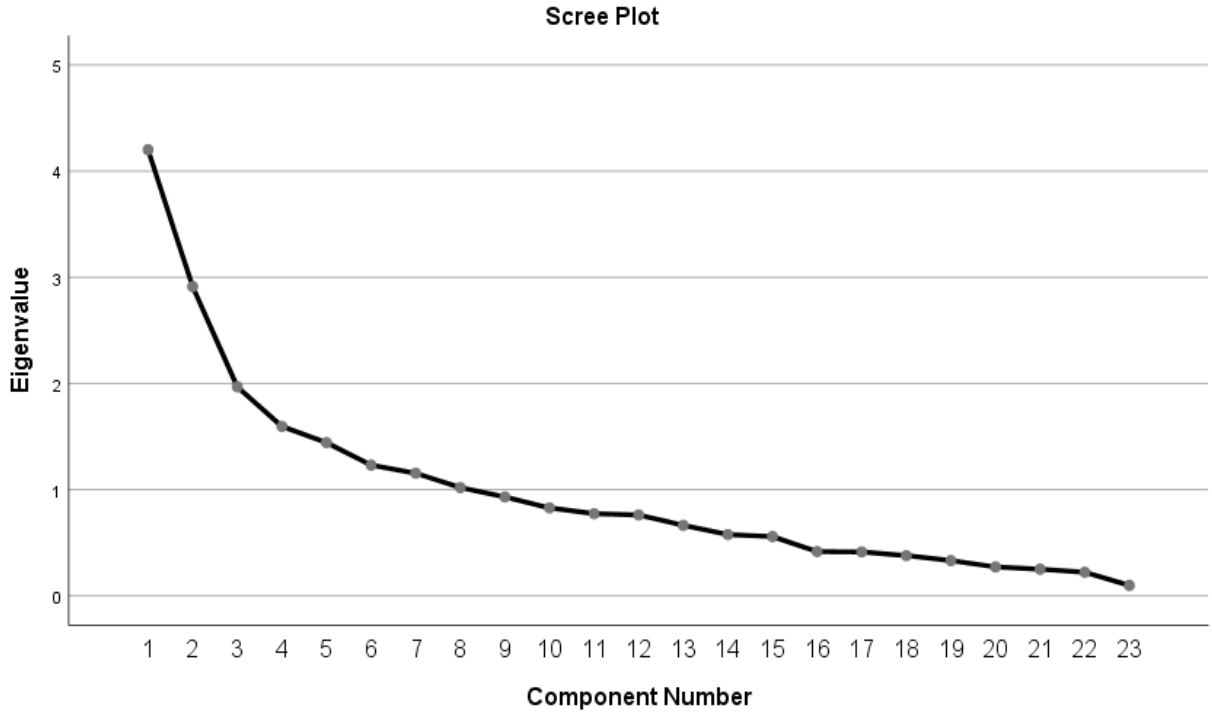

Figure 6.1: Scree plot

Table 6.18 presents the results derived from EFA on rotated component matrix.

Table 6.18: Rotated Component Matrix

	Component							
	1	2	3	4	5	6	7	8
PG3	.823	.267	.048	.009	-.013	.006	.085	-.083
PG2	.778	.291	-.002	-.098	.021	-.064	.085	.049
PG1	.721	.148	.064	-.161	.180	.025	-.025	.245
PG4	.663	.138	.183	.003	.010	.041	.046	-.092
OC1	.214	.859	.016	-.066	.081	.009	.052	.038
OC2	.266	.841	.048	-.017	.114	-.045	.020	.054
OC3	.353	.767	.055	.081	.012	-.052	.005	-.023
EC5	.120	.061	.874	.081	.058	-.013	-.029	.009
EC6	.099	-.008	.811	.166	.019	.028	-.025	-.019
EC4	.047	.063	.802	.174	.143	-.161	.100	.162
ED5	-.035	-.048	.223	.850	-.036	.045	-.052	.017
ED6	-.057	.048	.217	.841	-.048	-.077	.011	.066
ED2	-.193	-.026	-.023	.547	-.032	.025	.472	.123
SI3	.084	.015	.022	.103	.871	-.023	.014	.079
SI4	.042	.006	.024	-.278	.736	.112	.042	.027
SI1	.012	.199	.180	.028	.629	.064	.222	-.031

OR8	-.048	-.014	.088	-.214	.054	.785	.022	.100
OR9	.101	-.039	-.152	.050	-.031	.746	-.187	.044
OR7	-.049	-.019	-.056	.157	.136	.554	.223	-.180
OR1	.030	.091	.061	.051	.154	-.008	.730	-.100
OR3	.170	-.017	-.031	-.043	.051	.003	.709	.080
ED4	.220	-.121	-.027	.112	.179	-.038	-.106	.747
ED3	-.231	.250	.189	.045	-.112	.055	.155	.686

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalisation.[a]

a. Rotation converged in 9 iterations.

Table 6.18 depicts that all loadings were above 0.6, except factor OR7 at 0.557 and ED at 0.547 which remain below the accepted level of 0.6 the EFA test. This implied that these factors need to be reconsidered with regards to whether they should be removed or retained in carrying out further tests in this study.

With these patterns, the researcher decided that items within the threshold of 0.6 display reliability, while the ones below the said threshold do not display reliability. The variables heavily loaded are factors two and one was business performance (organisational competitiveness and profit growth/maximisation), factor three was environmental competitiveness, factors four and eight were environmental dynamism, factor five was service innovation practices and factors six and seven were organisational reputation (stakeholders' trust towards the organisation and internal organisation leadership towards service innovativeness). Given the outcomes, 19 (out of 39) items of factors eight were eliminated from the measurement model, and the related factors were grouped so that six factors remained based on the Confirmatory Factor Analysis (CFA) tests that were executed, as presented in Section 5.4.

The internal consistency reliability of the measurement scales that measured service innovation practices, business performance (profit growth, organisational competitiveness, organisational reputation), and the influence of environmental dynamism and environmental competitiveness were assessed by calculating the Cronbach's alpha values. A Cronbach's alpha value of 0.6 or higher indicates that the measurement scale is reliable (Malhotra, 2015:285).

Table 6.19 below presents the Cronbach's alpha values for each variable measured.

Table 6.19: Internal consistency reliability of measurement scales

Measurement variable	Number of items	Cronbach's alpha value
Service innovation practices	3	0.664
Profit growth/maximisation	4	0.803
Organisational competitiveness	3	0.860
Organisational reputation	2	0.538
Environmental dynamism	5	0.621
Environmental competitiveness	3	0.767

Table 6.19 indicates that the face, or content validity of the measurement scales was assessed by a systematic evaluation to ensure that the measurement scales measure what they should measure in the current study, namely, service innovation practices, business performance (profit growth/maximisation, organisational competitiveness, and organisational reputation), and external environmental factors (environmental competitiveness and environmental dynamism). The measurement scales were further adapted from existing measurement scales from studies where the convergent; discriminant and validity of the measurement scales were assessed and confirmed.

The Cronbach's alpha value for service innovation practices is 0.664, as indicated in Table 6.19. In addition, the Cronbach's alpha value is 0.803 for profit growth, 0.860 for organisational competitiveness, and 0.547 for organisational reputation, respectively. Although the Cronbach value for organisational reputation was below 0.6, the researcher considered 0.547 to be mathematically close to 0.6 and acceptable. The Cronbach's alpha value for external factors (environmental dynamism and environmental competitiveness are 0.621 and 0.767, respectively. The Cronbach's alpha value for financial business performance (profit growth/maximisation and organisational competitiveness) is 0.849. Based upon the results, it can be concluded that the measurement scales used in this study are both reliable and valid, and overall mean scores could be calculated for the constructs that the scales measured to test for statistically significant differences between the constructs of the study.

To ascertain convergent validity, the factor loadings were considered to assess if they were above the recommended minimum value of 0.5. The factor loadings for scale items (Table 6.19) were above the recommended 0.5, which indicated that the items were valid and converging well on the constructs that they were expected to measure.

6.4.4 Measurement model/Confirmatory factor analysis

As is tradition with most structural equation models, prior to the identification, specification and testing of the hypothesised paths in the structural model, the specification, identification and estimation of the model must be conducted (Hair *et al.* 2013:132). This is typically done through the confirmatory factor analysis (CFA).

The results of the CFA conducted on the seven statements used to measure financial business performance (profit growth and organisational competitiveness) reveal that the measurement had an acceptable model fit (Chi-squared (X^2=0.207; Degree of

freedom (DF)=1; probability level=0.649; Root Mean Square Error of Approximation (RMSEA)=0.000<0.06).

The results of the CFA conducted on the four statements used to measure non-financial business performance (organisational reputation) reveal that the measurement had an acceptable model fit (Chi-squared (X^2=6.443; Degree of freedom (DF)=4; probability level=0.168; Root Mean Square Error of Approximation (RMSEA)=0.000<0.048).

The results of the CFA conducted on the five statements used to measure environmental dynamism (organisational reputation) reveal that the measurement had an acceptable model fit (Chi-squared (X^2=4.657; Degree of freedom (DF)=4; probability level=0.324; Root Mean Square Error of Approximation (RMSEA)=0.000<0.06).

The model fit supports the uni-dimensionality of the constructs, and the items' loadings to the respective constructs support the convergent validity for measures. ED2, ED3, ED4, ED5, and ED6 were confirmed to be valid measures of environmental dynamism. PG1, PG2, PG3, PG4, OC1, OC2, and OC3 were confirmed to be valid measures of financial business performance (FBP).

The Cronbach's alpha values 0.621 and 0.849, respectively, confirmed the reliability of the measurement scale for both environmental dynamism and financial business performance as depicted in Table 6.20.

Table 6.20: Reliability of measurement scales for financial business performance and environmental dynamism

Measurement variable	Items	Cronbach's alpha value
Financial Business performance (PG+OC)	7	0.849
Environmental dynamism (ED)	5	0.621

The next sub-section presents the correlation results of the variables investigated in this study.

6.4.5 Correlations

Pearson's zero-order bivariate correlations are performed as an analysis of the relationship among the four variables in this study. According to Pallant (2013), correlation analysis is used to describe the strength (magnitude) and direction of the linear relationship between two variables. Correlation coefficients range from -1 to 1. A correlation of 0 indicates no relationship, a correlation of 1 indicates a perfect positive correlation, and a value of -1 indicates a perfect negative correction.

The correlation results of all the variables in the study, namely, service innovation practices and business performances (profit growth/maximisation, organisational competitiveness, organisational reputation, environmental dynamism and environmental competitiveness are presented Appendix H.

Guidelines, as suggested by Cohen (1988:79-81), are used in reporting the correlations of variables in this study. Cohen (1988:79-81) suggested the following guidelines.

Small (Weak)	r= 0.10 to 0.29
Medium (Moderate)	r= 0.30 to 0.30
Large (Strong)	r=0.50 to 1.0

Appendix H shows that weak positive correlations exist between organisational reputation and service innovations (r=0.127).

Positive correlations exist between profit growth/maximisation and organisational competitiveness (r=0.513); profit growth/maximisation and service innovations (r=0.183); profit growth/maximisation and environmental competitiveness (0.174); while a negative correlation exists between profit growth/maximisation and environmental dynamism (-0.104).

A strong positive correlation is visible between profit growth/maximisation and organisational competitiveness (r=0.513>0.3).

A moderate positive correlation exists between environmental dynamism and environmental competitiveness (0.329).

Tabachnick and Fidell (2013) point out that the relationships found in social sciences are usually small, therefore, weak relationships between other variables are acceptable in this study.

A linear regression was executed in this study, and the results are presented in the next-sub-section.

6.4.6 Linear correlations

Tables 6.21 to 6.24 depict the linear correlation results of service innovation practices and business performances (profit growth/maximisation, organisational competitiveness, organisational reputation) which address **secondary research objective six** that aimed to determine the employees' perceptions regarding the influence of service innovation practices on business performance (financial and non-financial) of MVRs.

To achieve this secondary objective, the influence of service innovation practices on business performance was achieved by measuring the influence of service innovation practices on business performance on each of the three measures of business performance, namely, profit growth/maximisation, organisational competitiveness, and organisational reputation. Hypotheses 1-3 were stated as follows:

H1: Service innovation practices have a significant positive influence on the financial business performance (profit growth/maximisation) of MVRs.

H2: Service innovation practices have a significant positive influence on the financial business performance (organisational competitiveness) of MVRs.

H3: Service innovation practices have a positive influence on the non-financial business performance (organisational reputation).

Table 6.21: Correlations (service innovation and profit growth/maximisation)

Pearson Correlation	Profit growth/maximisation Service innovation	1. 000 .183	.183 1. 000	**T-statistics**
Sig. (1-tailed)	Profit growth		.001	11.514
	Service innovations	.001		
N	Profit growth Service innovations	268 268	268 268	

Table 6.22: Correlations (service innovation and organisational competitiveness)

Pearson Correlation	Organisational competitiveness Service innovation	1. 000 .174[a]	.174[a] 1. 000	**T-statistics**
Sig. (1-tailed)	Organisational competitiveness		.002	8.831
	Service innovations	.002		
N	Organisational competitiveness Service innovations	268 268	268 268	

Table 6.23: Correlations (service innovation and organisational reputation)

Pearson Correlation	Organisational reputation Service innovation	1. 000 .127[a]	.127[a] 1. 000	**T-statistics**
Sig. (1-tailed)	Organisational reputation		.019	16.321
	Service innovations	.019		
N	Organisational reputation Service innovations	268 268	268 268	

Table 6.24: Correlations (service innovation and financial business performance)

Pearson Correlation	Financial Business performance Service innovation	1. 000 .228[a]	.228[a] 1. 000	**T-statistics**
Sig. (1-tailed)	Financial Business performance		.000	10.540
	Service innovations	.003		
N	Financial Business performance Service innovations	268 268	268 268	

Table 6.21 depicts the correlation results related to the influence of service innovation practices on business performance (profit growth/maximisation) which addresses secondary objective 5 of this study. The value of the t-statistic indicates whether the relationship is significant or not. A significant relationship is expected to have a t-statistics that is above 2 (Pallant, 2013).

As shown in Table 6.21, there is a statistically significant (t-statistics=11.51>2) relationship between variables (*p*-value=0.001<0.05), positive correlation (β=0.183) between service innovation practices and profit growth/maximisation. The model produced R-squared (0.033) that measures the variance of proportion in the

dependent variable that was explained by the independent variable in this study (profit growth/maximisation and service innovation practices). This model concludes that the independent variable explains 3.3% of the variance in the dependent variable.

Table 6.22 depicts the correlation results related to the influence of service innovation practices on business performance (organisational competitiveness) which addresses secondary objective 5 of this study. As shown in Table 6.22, there is a statistically significant relationship between the variables (*p*-value=0.002<0.05), and a positive correlation (β=0.174) between service innovation practices and organisational competitiveness. The model produced R-squared (0.030) that measures the variance of proportion in the dependent variable that was explained by the independent variable in this study (organisational competitiveness and service innovation practices). This model concludes that the independent variable explains 3.0% of the variance in the dependent variable. Thus, this result denotes that service innovation practices have a statistically significant (t-statistics=8.83>2) positive influence on the business performance (organisational competitiveness).

Table 6.23 depicts the correlation results related to the influence of service innovation practices on business performance (organisational reputation) which addresses secondary objective 5 of this study. The model produced R-squared (0.016) that measures the variance of proportion in the dependent variable that was explained by the independent variable in this study (organisational reputation and service innovation practices). This model concludes that the independent variable explains 1.6% of the variance in the dependent variable. As shown in Table 6.23, there is a statistically significant relationship between the variables (p-value=0.019<0.05), and a positive correlation (β=0.127) between service innovation practices and organisational reputation. Thus, this result indicates that service innovation practices have a statistically significant (t-statistics=16.32>2) positive influence on business performance (organisational reputation).

Comparing the linear regression results, as depicted in Tables 6.21, 6.22 and 6.23, the influence of service innovation practices has a higher significant contribution on profit growth/maximisation and organisation competitiveness (β=0.183, and β=0.174) respectively. The lowest positive correlation score of service innovation practices is on organisational reputation (β=0.127).

Table 6.24 shows the correlation results related to the influence of service innovation practices on business performance (financial business performance: profit growth and organisational competitiveness combined) which is linked to secondary research objective 5 of this study. Based on the results from the linear correlation test depicted in Table 6.24, H1 and H2 can be accepted with β=0.228 that service innovation practices have a positive influence on the financial performance of MVRs with *p*-value=0.000<0.05 and t-statistics of (t-statistics =10.54>2).

The effect of service innovations on financial business performance is moderate, but statistically significant. This could be due to the sample that is not normally distributed, also considering that the relationships found in social sciences are usually small, this suggests that the R-squared values in this study are acceptable (Tabachnick & Fidell, 2013).

Tables 6.25 to 6.28 (below) present the ANOVA tests conducted to address the secondary research objective 5. ANOVA is used to examine and determine the variance in the dependent variable, and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013).

Table 6.25: ANOVA (Service innovations and profit growth/maximisation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	1.710	1	1.710	9.197	. 003[b]
Residual	49.464	266	.186		
Total	51.174	267			

a. Dependent Variable: Profit_Growth/maximisation

b. Predictors: (Constant), Service_Innovation

Table 6.26: ANOVA (Service innovations and organisational competitiveness)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	2.322	1	2.322	8.342	. 004[b]
Residual	74.047	266	.278		
Total	76.369	267			

a. Dependent Variable: Organisational _Competitiveness

b. Predictors: (Constant), Service_Innovation

Table 6.27: ANOVA (Service innovations and organisational reputation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	.545	1	.545	4.378	. 037[b]
Residual	33.088	266	.124		
Total	33.633	267			

a. Dependent Variable: Organisational _Reputation

b. Predictors: (Constant), Service_Innovation

Table 6.28: ANOVA (Service innovations and Financial business performance)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	2.710	1	2.710	14.643	. 000[b]
Residual	49.235	266	.185		
Total	51.945	267			

a. Dependent Variable: Financial _Business_Performance

b. Predictors: (Constant), Service_Innovation

Table 6.25 indicates that the regression reached statistical significance, since the p-value (sig)=0.003 is less than 0.05 significance level, which suggests that there is linear regression between the dependent variable and the independent variable. The model produced R-squared (0.033) that measures the variance of proportion in the dependent variable that was explained by independent variable in this study (profit growth and service innovation practices). This model concludes that the independent variable explains 5.2% of the variance in the dependent variable.

Table 6.26 indicates that the regression reached statistical significance, since the p-value (sig)=0.004 is less than 0.05 significance level, which suggests that there is linear regression between the dependent variable and the independent variable.

Table 6.27 indicates that the regression reached statistical significance, since the p-value (sig)=0.037 is less than 0.05 significance level, which suggests that there is linear regression between the dependent variable and the independent variable.

Table 6.28 indicates that the regression reached statistical significance, since the p-value (sig)=0.037 is less than 0.000 significance level, which suggests that there is linear regression between the dependent variable and the independent variable.

According to Tabachnick and Fidell (2013) and Pallant (2013), after producing a model it is very important to check outliers in the data. Tables 6.29 to 6.32 (on the next page) present the residual values to detect outliers which were overlooked by inspecting Mahalanobis and Cook's distances. The results are another way of determining whether the regression achieved its goal of explaining in detail the previously unexplained variation of the dependent variables. The analysis of residuals further detects any underlying assumptions of regression that might have been violated and also estimate the accuracy of the models.

Tabachnick and Fidell (2013) state that the maximum Cook's value should not be greater than 1, as there are potential problems. Mahalanobis D2 were calculated using linear regression methods in IBM SPSS version 25, followed by the computation of the Chi-square value.

Given that 6 variables were used, (6-1) 5 represent the degree of freedom in the Chi-square table with $p < 0.001$, so the criterion is 16.81 (Tabachnick & Fidell, 2013).

This means that any case with a Mahalanobis D2 value of 16.81 and above is a multivariate outlier and should be removed.

Table 6.29: Residual Statistics - Profit growth/maximisation

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2782	4.6284	4.5168	.08004	268
Std. Predicted Value	-2.981	1.394	.000	1.000	268
Standard Error of Predicted Value	.028	.083	.036	.008	268
Adjusted Predicted Value	4.2793	4.6382	4.5167	.08014	268
Residual	-.98831	.65177	.00000	.43042	268
Std. Residual	-2.292	1.511	.000	.998	268
Stud. Residual	-2.297	1.527	.000	1.002	268
Deleted Residual	-.99248	.66530	.00006	.43357	268
Stud. Deleted Residual	-2.315	1.531	.000	1.003	268
Mahal. Distance	.127	8.887	.996	.967	268
Cook's Distance	.000	.024	.004	.004	268
Centred Leverage Value	.000	.033	.004	.004	268

Dependent variable: Profit_Growth/maximisation

Table 6.29 shows that Cook's value is (0.024<1) and the Mahalanobis value is (8.887<16.81) which suggests that there were no major problems detected, and therefore the model is valid.

Table 6.30: Residual Statistics - Organisational competitiveness

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.1735	4.5815	4.4515	.09326	268
Std. Predicted Value	-2.981	1.394	.000	1.000	268
Standard Error of Predicted Value	.034	.102	.044	.010	268
Adjusted Predicted Value	4.1417	4.5991	4.4515	.09364	268
Residual	-1.58152	.82652	.00000	.52662	268
Std. Residual	-2.998	1.567	.000	.998	268
Stud. Residual	-3.014	1.596	.000	1.002	268
Deleted Residual	-1.59913	.85829	-.00004	.53078	268
Stud. Deleted Residual	-3.061	1.601	-.001	1.006	268
Mahal. Distance	.127	8.887	.996	.967	268
Cook's Distance	.000	.051	.004	.007	268
Centered Leverage Value	.000	.033	.004	.004	268

Dependent variable: Organisational_Competitiveness

In Table 6.30, Cook's value is (0.051<1) and the Mahalanobis value is (8.887<16.81) which suggests that there were no major problems detected, and therefore the model is valid.

Table 6.31: Residual Statistics - Organisational reputation

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.5432	4.7408	4.6779	.04516	268
Std. Predicted Value	-2.981	1.394	.000	1.000	268
Standard Error of Predicted Value	.023	.068	.030	.007	268
Adjusted Predicted Value	4.5385	4.7491	4.6779	.04517	268
Residual	-1.03464	.41726	.00000	.35203	268
Std. Residual	-2.934	1.183	.000	.998	268
Stud. Residual	-2.941	1.195	.000	1.002	268
Deleted Residual	-1.03957	.42592	-.00002	.35473	268
Stud. Deleted Residual	-2.984	1.196	-.002	1.006	268
Mahal. Distance	.127	8.887	.996	.967	268
Cook's Distance	.000	.072	.004	.007	268
Centered Leverage Value	.000	.033	.004	.004	268

Dependent variable: Organisational_Reputation

Table 6.31 indicates that the Cook's value is (0.072<1) and the Mahalanobis value is (8.887<16.81) which suggests that there were no major problems detected, and therefore the model is valid.

Table 6.32: Residual Statistics - Financial business performance

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.1493	4.5901	4.4496	.10075	268
Std. Predicted Value	-2.981	1.394	.000	1.000	268
Standard Error of Predicted Value	.028	.083	.036	.008	268
Adjusted Predicted Value	4.1454	4.6022	4.4497	.10083	268
Residual	-1.09010	.67440	.00000	.42942	268
Std. Residual	-2.534	1.568	.000	.998	268
Stud. Residual	-2.548	1.575	.000	1.002	268
Deleted Residual	-1.10224	.68080	-.00007	.43261	268
Stud. Deleted Residual	-2.575	1.579	.000	1.003	268
Mahal. Distance	.127	8.887	.996	.967	268
Cook's Distance	.000	.036	.004	.004	268
Centered Leverage Value	.000	.033	.004	.004	268

Dependent variable: Financial_Business_Performance

Table 6.32 indicates that the Cook's value is (0.036<1) and the Mahalanobis value is (8.887<16.81) which suggests that there were no major problems detected, and therefore the model is valid.

Table 6.33 presents the standardised regression weights, also called beta weights, indicating which variables included in the path model contribute to the prediction of the dependent variable, therefore comparing the contribution of each independent variable (Pallant, 2013).

Table 6.33: Standardised regression weights of path model

Paths	Standardised Coefficients	p-value
Service innovation → Profit Growth/Maximisation (PG)	0.183[a]	0.003
Service innovation → Organisational Competitiveness (OC)	0.174[a]	0.000
Service innovation → Organisational Reputation (OR)	0.127[a]	0.000
Propensity to complain → Financial Business performance (PG+OC)	0.228[a]	0.003

Beta weight: standardised regression weight

*Path is statistically significant [a]Significance Level p<.10; [b]Significance Level p<.05**

Table 6.33 shows that there is a statistically significant relationship between the variables (p-value=0.003<0.05), and a moderate positive correlation with (β=0.228) between service innovation practices and financial business performance (combined financial measures: profit growth/maximisation and organisational competitiveness).

There was a weak positive correlation between service innovation practices and financial business performance measures (when linear regression is conducted on profit growth and organisational competitiveness separately) as indicated in Tables 6.21 and 6.22 as linear regressions was executed separately on each of the constructs (β=0.183 for profit growth and β=0.174 for organisational reputation, but all significant p-value=0.000<0.005).

Table 6.33 further indicates that the significant path between service innovations and organisational reputation has a weak positive correlation (β=0.127), but significant at (p-value=0.000<0.05). It can therefore be said that service innovation practices have a statistical significant positive influence on business performance of MVRs, while the variance explained by all the other variables in the models are controlled (Pallant, 2013:161).

Based on the results from linear correlation tests conducted in this study, therefore, hypotheses H1 and H2 that service innovation practices have a positive influence on business performance (profit growth/maximisation, organisational competitiveness) are accepted. H3 that service innovation practices have a positive influence on business performance (organisational reputation) is also accepted.

A linear regression test was further executed to determine the influence of service innovation practices on combined financial business performance measures (profit growth/maximisation and organisational competitiveness) as depicted in Table 6.22.

Figure 6.2 depicts the hypotheses results derived from the linear correlation tests conducted in this study to address secondary research objective 5.

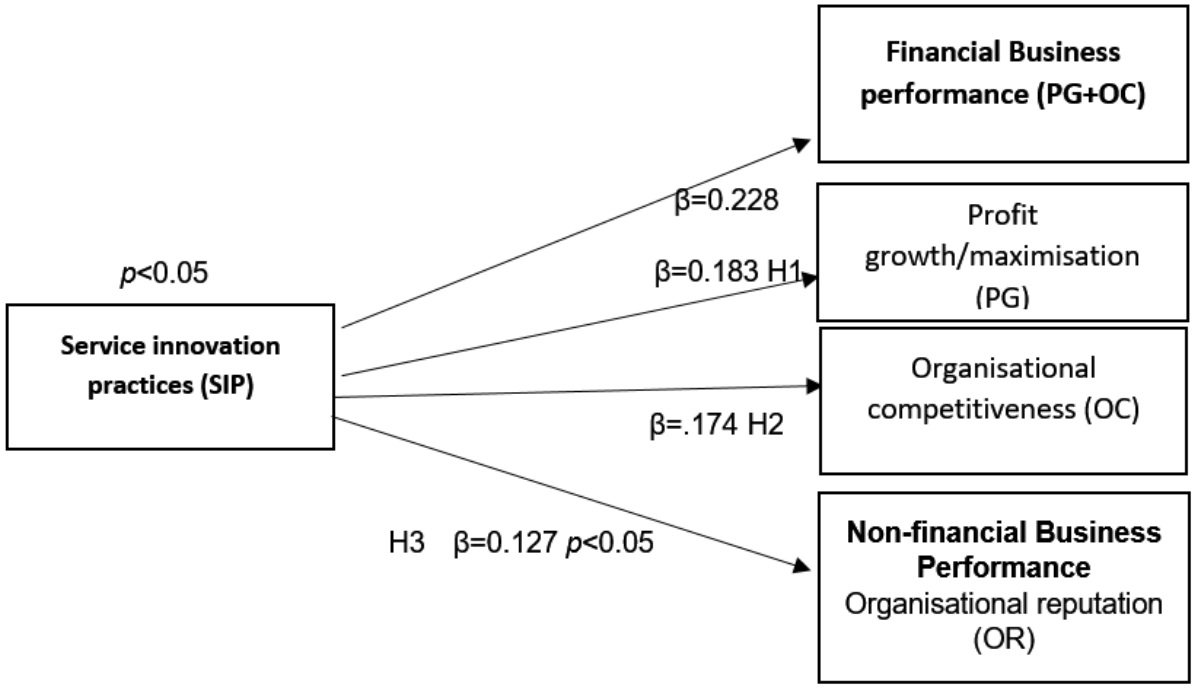

Figure 6.2: Hypotheses path coefficients

Source: Researcher's own compilation

Figure 6.2 shows a conceptual model indicating hypotheses results confirming the significant positive correction between service innovation practices and financial business performance, all with positive r-value=0.357. H3 with r=0.127 indicates a positive correlation between service innovation practices and non-financial business performance (organisational reputation).

The next sub-sections provide the results derived from the multiple regressions tests carried out to decide whether to accept the moderation hypotheses formulated in this study.

6.4.7 Multiple regressions and hypotheses testing

The presentations of the results in this section are linked to the secondary research objectives formulated for the quantitative phase. Pallant (2013) points out that a multiple regression is based on correlation, and it can be used to explore relationships between one dependent variable and a number of independent variables or predictors.

This study used a hierarchical multiple regression analysis to test the influence of service innovation practices on business performance (profit growth/maximisation, organisational competitiveness and organisational reputation), and to test the moderating role of environmental factors (environmental dynamism and environmental

competitiveness) on the relationship between service innovation practices and business performance, multiple regression analysis was used.

Figure 6.2 (on the previous page) illustrates the research model showing all the variables used in the hypotheses that were tested in the current study using linear regression. These hypotheses are linked to secondary research objective 6.

The next sub-sections present the results derived from hierarchical moderated regression analysis that addresses both secondary research objectives 6 and 7.

6.4.7.1 Hierarchical moderated regression analysis: Secondary research objective 7

The **seventh secondary research objective** examined during the quantitative phase intended to determine the moderating role of environmental dynamism on the relationship between service innovation practices and business performance. To achieve this secondary objective, the moderating role of environmental dynamism on the relationship between service innovation practices and business performance was achieved by measuring each of the three measures of business performance, namely, profit growth/maximisation, organisational competitiveness, and organisational reputation.

Hypothesis 4 was divided into three separate hypotheses, namely, Hypotheses 4a, 4b and 4c to address the research objectives of this study.

Hypothesis 4a was developed and stated as follows:

H4a: *Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between service innovation practices and business performance (profit growth/maximisation) of MVRs.*

A multiple regression analysis was executed to determine the moderation of environmental dynamism on the relationship between service innovation practices and profit growth/maximisation, and the following results were generated as depicted in Tables 6.34 to 6.37.

Table 6.34 presents the ANOVA results generated from the regression executed to determine the variance between variables and whether the output is statistically significant.

Table 6.34: ANOVA (Service innovations, environmental dynamism, profit growth/maximisation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	2.378	3	.793	4.283	. 006[b]
Residua	48.491	262	.185		
Total	50.870	265			

a. Dependent Variable: Profit _Growth/maximisation

b. Predictors: (Constant), Moderator 1, Environmental Dynamism_Service_Innovation

ANOVA is used to examine and determine the variance in the dependent variable, and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013).

Table 6.34 indicates that the regression reached statistical significance, since the *p*-value (sig)=0.006 is less than 0.05 significance level. Tables 6.35 and 6.36 present the residual statistics with and without outliers to examine the Cook and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.35: Residual Statistics with outliers (Service innovations, environmental dynamism, profit growth/maximisation)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2546	4.6322	4.5168	.09612	268
Std. Predicted Value	-2.728	1.201	.000	1.000	268
Standard Error of Predicted Value	.028	.151	.050	.017	268
Adjusted Predicted Value	4.2575	4.6563	4.5166	.09637	268
Residual	-1.01017	.72109	.00000	.42711	268
Std. Residual	-2.352	1.679	.000	.994	268
Stud. Residual	-2.358	1.703	.000	1.002	268
Deleted Residual	-1.01509	.74245	.00018	.43349	268
Stud. Deleted Residual	-2.378	1.710	.000	1.003	268
Mahal. Distance	.144	32.044	2.989	3.131	268
Cook's Distance	.000	.027	.004	.004	268
Centered Leverage Value	.001	.120	.011	.012	268

a. Dependent Variable: Profit_Growth/maximisation

Table 6.36: Residual Statistics without outliers (Service innovations, environmental dynamism, profit growth/maximisation)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2399	4.6361	4.5160	.09473	266
Std. Predicted Value	-2.914	1.268	.000	1.000	266
Standard Error of Predicted Value	.028	.107	.050	.016	266
Adjusted Predicted Value	4.2526	4.6524	4.5157	.09509	266
Residual	-1.01303	.72198	.00000	.42777	266
Std. Residual	-2.355	1.678	.000	.994	266
Stud. Residual	-2.361	1.703	.000	1.002	266
Deleted Residual	-1.01817	.74338	.00024	.43440	266
Stud. Deleted Residual	-2.382	1.709	.000	1.003	266
Mahal. Distance	.159	15.276	2.989	2.673	266
Cook's Distance	.000	.029	.004	.005	266
Centered Leverage Value	.001	.058	.011	.010	266

a. Dependent Variable: Profit_Growth/maximisation

In Table 6.35, the Cook's value is (0.027<1) and the Mahalanobis value is (32.044>16.81) which suggests that there were major problems detected, and therefore the model is invalid and had outliers.

After the removal of the outliers, another regression was executed, as shown in Table 6.36, where a new Cook's value was generated (0.029<1) and the Mahalanobis value was (15.276<16.81) which suggests that there were no further problems detected, and therefore the model is valid.

Table 6.37 depicts the coefficient statistics generated in executing the hierarchical regression.

Table 6.37: Coefficient Statistics (Service innovations, environmental dynamism, profit growth/maximisation)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Tolerance**	**VIF**
(Constant)	3.899	.348		11.199	.000	3.213	4.584		
Service_Innovation	.185	.071	.158	2.584	.010	.044	.325	.975	1.026
Environmental	-.060	.035	-.104	-1.711	.088	-.128	.009	.989	1.012
Moderator_1	.040	.028	.087	1.421	.156	-.016	.096	.967	1.035

a. Dependent Variable: Profit_Growth/maximisation

Hair *et al.* (2014:161) point out that multi-collinearity could thus influence the ability of these variables to accurately explain variance in the dependent variable. Multi-collinearity exists when the independent variables in a regression analysis are correlated, and thus in the current study, variance inflation factors (VIFs) were calculated to assess whether multi-collinearity could affect the results of the regression analysis. Hair *et al.* (2014:161) recommended that multi-collinearity is a concern if the VIF value is higher than 5 and tolerance value is <0.20.

Table 6.37 shows that all independent variables returned VIFs below 5, which means that multi-collinearity does not pose a problem in the model. Table 6.37 shows that standardised coefficient values (β) indicate what correlation of independent variables (service innovation practices and environmental dynamism) would be on dependent variable (profit growth/maximisation) when held constant (Tabachnick & Fidell, 2013). The standardised coefficients are presented as follows: standardised coefficient of service innovation is (β=0.158; p=0.010<0.05; t-statistics=2, 584>2), and environmental dynamism does not make a significant contribution (β= 0.104; p=0.088>0.05; t-statistics=1.711).

A multiple linear regression was calculated to predict profit growth/maximisation (IV), based on service innovation practices (IV1) and environmental dynamism (IV2). A significant regression equation was found (F(3,262)=4.283, p=006<0.05), with an R-squared of 0.047, and the change in R-squared is 0.1%=0.001x100 (0.048-0.047). The respondents predicted profit growth/maximisation (DV) is equal to 3.899+0.185 (IV1)-0.060 (IV2).

Table 6.37 showed that service innovation practices had a significant contribution (0.185; p=0.010<0.05) to profit growth/maximisation, and environmental dynamism had an insignificant contribution (0.060; p=0.088>0.05) to profit growth/maximisation. Environmental dynamism as a moderator had an insignificant contribution (0.040; p=0.156>0.05). However, because the p-value of environmental dynamism (moderator) is greater than 0.05, H4a was rejected.

Hypothesis 4b is stated as follows:

H4b: *Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between the service innovation practices and business performance (organisational competitiveness) of MVRs.*

Table 6.38 presents the ANOVA results generated from the regression executed to determine the variance between the variables and to determine whether the outcome is statistically significant.

Table 6.38: ANOVA (Service innovations, environmental dynamism, organisational competitiveness)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	3.009	3	1.003	3.612	. 014[b]
Residua	72.754	262	.278		
Total	75.763	265			

a. Dependent Variable: Organisational_Competitivenes

ANOVA is used to examine and determine the variance in the dependent variable, and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013). Table 6.38 indicates that the regression reached statistical significance, since the p-value (sig)=0.014 is less than the 0.05 significance level.

Tables 6.39 and 6.40 present the residual statistics with and without outliers to examine the Cook and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.39: Residual statistics with outliers (Service innovations, environmental dynamism, organisational competitiveness)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.1930	4.7009	4.4515	.10410	268
Std. Predicted Value	-2.483	2.396	.000	1.000	268
Standard Error of Predicted Value	.034	.186	.061	.020	268
Adjusted Predicted Value	4.1976	4.7384	4.4512	.10521	268
Residual	-1.55621	.73197	.00000	.52459	268
Std. Residual	-2.950	1.387	.000	.994	268
Stud. Residual	-2.968	1.404	.000	1.002	268
Deleted Residual	-1.57586	.74936	.00034	.53289	268
Stud. Deleted Residual	-3.013	1.406	-.001	1.006	268
Mahal. Distance	.144	32.044	2.989	3.131	268
Cook's Distance	.000	.055	.004	.007	268
Centered Leverage Value	.001	.120	.011	.012	268

a.Dependent Variable: Organisational_Competitiveness

As seen in Table 6.39, the Cook's value is (0.055<1) and the Mahalanobis value is (32.044>16.81) which suggests that there were major problems detected, and therefore the model is invalid and had outliers.

After the removal of the outliers, another regression was executed as shown in Table 6.40 below, and a new Cook's value was generated (0.051<1) and the Mahalanobis value was (15.276<16.81) which suggests that there were no further problems detected, and therefore the model is valid.

Table 6.40: Residual statistics without outliers (Service innovations, environmental dynamism, organisational competitiveness)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.1913	4.7055	4.4474	.10656	266
Std. Predicted Value	-2.403	2.422	.000	1.000	266
Standard Error of Predicted Value	.035	.131	.062	.020	266
Adjusted Predicted Value	4.2068	4.7446	4.4475	.10738	266
Residual	-1.55845	.72443	.00000	.52397	266
Std. Residual	-2.957	1.375	.000	.994	266
Stud. Residual	-2.977	1.391	.000	1.002	266
Deleted Residual	-1.57953	.74186	-.00010	.53235	266
Stud. Deleted Residual	-3.023	1.394	-.001	1.006	266
Mahal. Distance	.159	15.276	2.989	2.673	266
Cook's Distance	.000	.051	.004	.007	266
Centered Leverage Value	.001	.058	.011	.010	266

a. Dependent Variable: Organisational_Competitiveness

Table 6.41 depicts the coefficient statistics generated in executing the hierarchical regression.

Table 6.41: Coefficient Statistics (Service innovations, environmental dynamism, organisational competitiveness)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Tolerance**	**VIF**
(Constant)	3.314	.426		7.771	.000	2.474	4.153		
Service_Innovation	.249	.088	.174	2.840	.005	.076	.421	.975	1.026
Environmental_Dynamism	.007	.043	.009	.155	.877	-.077	.091	.989	1.012
Moderator_1	.041	.035	.073	1.191	.235	-.027	.110	.967	1.035

a. Dependent Variable: Organisational_Competitiveness

Hair *et al.* (2014:161) recommended that multi-collinearity should be a concern if the VIF value is higher than 5 and the tolerance value is <0.20. Table 6.41 shows that all the independent variables returned VIFs below 5, which means that multi-collinearity does not pose a problem in the model.

Table 6.41 shows that standardised coefficient values (β) indicate what correlation of independent variables (service innovation practices and environmental dynamism) would be on dependent variable (organisational competitiveness) when held constant (Tabachnick & Fidell, 2013). The standardised coefficient is presented as follows: the standardised coefficient of service innovation is (β=0.174; p=0.005<0.05; t-statistics=2, 840), and environmental dynamism does not make a significant contribution (β= 0.009; p=0.887>0.05; t-statistics=0.155).

A multiple linear regression was calculated to predict organisational competitiveness (IV) based on service innovation practices (IV1) and environmental dynamism (IV2). A significant regression equation was found (F(3,262)=3.612, p=014<0.05), with an R-squared of 0.040 and the change in R-squared is 0.2%=0.002x100 (0.040-0.038). The respondents predicted organisational competitiveness (DV) is equal to 3.314+0.249 (IV1)+0.007 (IV2).

As shown in Table 6.41, service innovation practices had a significant contribution (0.174; p=0.005<0.05) to organisational competitiveness, and environmental dynamism had an insignificant contribution (0.009; p=0.887>0.05) to organisational competitiveness. Environmental dynamism as a moderator had an insignificant contribution (0.041; p=0.235>0.05). However, because the p-value of environmental dynamism (moderator) is greater than 0.05, H4b is rejected.

Hypothesis 4c is stated as follows:

H4c: *Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between the service innovation practices and business performance (organisational reputation) of MVRs.*

Table 6.42 presents the ANOVA results generated from the regression executed to determine the variance between the variables and to determine whether the output is statistically significant.

Table 6.42: ANOVA (Service innovations, environmental dynamism, organisational reputation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	.550	2	.275	2.204	.112[b]
Residua	33.083	265	.125		
Total	33.633	267			

a. Dependent Variable: Organisational_Reputation

b. Predictors: (Constant), Moderator 1, Environmental Dynamism_Service_Innovation

ANOVA is used to examine and determine the variance in the dependent variable and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013). Table 6.42 indicates that the regression did not reach statistical significance, since the p-value (sig)=0.112 is greater than 0.05 significance level.

Table 6.43 presents the residual statistics to examine the Cook and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.43: Residual statistics (Service innovations, environmental dynamism, organisational reputation)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.5500	4.7507	4.6779	.04540	268
Std. Predicted Value	-2.816	1.605	.000	1.000	268
Standard Error of Predicted Value	.023	.075	.036	.008	268
Adjusted Predicted Value	4.5445	4.7607	4.6779	.04550	268
Residual	-1.03982	.41177	.00000	.35200	268
Std. Residual	-2.943	1.165	.000	.996	268
Stud. Residual	-2.957	1.181	.000	1.002	268
Deleted Residual	-1.04965	.42256	-.00001	.35588	268
Stud. Deleted Residual	-3.001	1.181	-.002	1.006	268
Mahal. Distance	.135	11.022	1.993	1.391	268
Cook's Distance	.000	.051	.004	.006	268
Centered Leverage Value	.001	.041	.007	.005	268

a. Dependent Variable: Organisational_Reputation

As shown in Table 6.43, the Cook's value is (0.051<1) and the Mahalanobis value is (11.022<16.81) which suggests that there were no major problems detected, and therefore the model is valid and had no outliers.

Table 6.44 (on the next page) depicts the coefficient statistics generated in executing the hierarchical regression.

Table 6.44: Coefficient Statistics (Service innovations, environmental dynamism, organisational reputation)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Toleranc e**	**VIF**
(Constant)	4. 170	.275		15.165	.000	3.629	4.712		
Service_Innovation	.118	.057	.127	2.082	.038	.006	.230	.999	1.001
Environmental_Dynamism	-.006	.028	-.013	-.215	.830	-.061	.049	.999	1.001

a. Dependent Variable: Organisational_Reputation

According to Hair *et al.* (2014:161), multi-collinearity could thus influence the ability of these variables to accurately explain the variance in the dependent variable. Multi-collinearity exists when the independent variables in a regression analysis are correlated, and thus variance inflation factors (VIFs) were calculated to assess whether multi-collinearity could affect the results of the regression analysis. Hair *et al.* (2014:161) recommended that multi-collinearity is a concern if the VIF value is higher than 5 and the tolerance value is <0.20.

Table 6.44 above shows that all the independent variables returned VIFs below 5, which means that multi-collinearity does not pose a problem in the model. Table 6.44 shows that standardised coefficient values (β) indicate what correlation of independent variables (service innovation practices and environmental dynamism) would be on the dependent variable (organisational reputation) when held constant (Tabachnick & Fidell, 2013).

The standardised coefficients are presented as follows: standardised coefficient of service innovation is (β=0.127; p=0.038<0.05; t-statistics=2, 082), and environmental dynamism does not make a significant contribution (β= 0.028; p=0.830>0.05; t-statistics=-0.215). Due to the fact that the p-value of environmental dynamism (moderator) is greater than 0.05, H4c is rejected.

The next sub-section presents the multiple-regression tests conducted in this study in addressing secondary research objective 8.

6.4.7.2 Hierarchical moderated regression analysis: Secondary research objective 8

The **eighth secondary research objective** investigated during the quantitative phase was formulated to determine the moderating role of environmental competitiveness on the relationship between service innovation practices and business performance in terms of each of the three measures of business performance, namely, profit growth, organisational competitiveness, and organisational reputation.

Three hypotheses, namely, 5a, 5b and 5c were developed.

Hypothesis 5a is stated as follows:

H5a: *Environmental competitiveness moderates the relationship between service innovation practices and business performance (profit growth) such that the higher the environmental competitiveness, the stronger the relationship between service innovation and business performance (profit growth) of MVRs.*

A multiple regression analysis was executed to determine the moderation of environmental competitiveness on the relationship between service innovation practices and profit growth/maximisation. The following results were generated as depicted in Tables 6.45 to 6.48.

Table 6.45 presents the ANOVA results generated from the regression executed to determine the variance between the variables and to determine whether the outcome is statistically significant.

Table 6.45: ANOVA (Service innovations, environmental competitiveness, profit growth/maximisation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	3.428	3	1.143	6.462	. 000[b]
Residua	44.992	254	.177		
Total	48.350	257			

a. Dependent Variable: Profit _Growth

b. Predictors: (Constant), Moderator 1, Environmental Competitiveness_Service_Innovation

ANOVA is used to examine and determine the variance in the dependent variable and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013). Table 6.45 indicates that the regression reached statistical significance, since the *p*-value (sig)=0.000 is less than 0.05 significance level.

Tables 6.46 and 6.47 present the residual statistics with and without outliers to examine the Cook and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.46: Residual Statistics with outliers (Service innovations, environmental competitiveness, profit growth/maximisation)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2335	4.7820	4.5168	.11432	268
Std. Predicted Value	-2.478	2.320	.000	1.000	268
Standard Error of Predicted Value	.028	.140	.048	.020	268
Adjusted Predicted Value	4.2061	4.8030	4.5165	.11458	268
Residual	-.95358	.74790	.00000	.42261	268
Std. Residual	-2.244	1.760	.000	.994	268
Stud. Residual	-2.250	1.813	.000	1.002	268
Deleted Residual	-95899	.79388	.00034	.42959	268
Stud. Deleted Residual	-2.268	1.821	.000	1.004	268
Mahal. Distance	.148	28.006	2.989	4.163	268
Cook's Distance	.000	.051	.004	.007	268
Centered Leverage Value	.001	.105	.011	.016	268

a. Dependent Variable: Profit_Growth

In shown in Table 6.46, the Cook's value is (0.051<1) and the Mahalanobis value is (28.006>16.81) which suggests that there were major problems detected, and therefore the model is invalid and had outliers.

After the removal of outliers, another regression was executed, as shown in Table 6.47 on the next page.

Table 6.47: Residual Statistics without outliers (Service innovations, environmental competitiveness, profit growth/maximisation)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2976	4.7938	4.5184	.11550	258
Std. Predicted Value	-1.912	2.384	.000	1.000	258
Standard Error of Predicted Value	.029	.099	.049	.017	258
Adjusted Predicted Value	4.2941	4.8209	4.5178	.11627	258
Residual	-.93973	.67591	.00000	.41808	258
Std. Residual	-2.235	1.607	.000	.994	258
Stud. Residual	-2.242	1.642	.001	1.002	258
Deleted Residual	-.94625	.70587	.00058	.42507	258
Stud. Deleted Residual	-2.260	1.648	.000	1.004	258
Mahal. Distance	.190	13.352	2.988	2.930	258
Cook's Distance	.000	.032	.004	.006	258
Centered Leverage Value	.001	.052	.012	.011	258

a. Dependent Variable: Profit_Growth/maximisation

Table 6.47 shows that a new Cook's value was generated (0.032<1) and the Mahalanobis value was (13.352<16.81) which suggests that there were no further problems detected, and therefore the model is valid.

Table 6.48 depicts the coefficient statistics generated in executing hierarchical regression.

Table 6.48: Coefficient Statistics (Service innovations, environmental competitiveness, profit growth/maximisation)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Tolerance**	**VIF**
(Constant)	3.899	.348		11.199	.000	3.213	4.584		
Service_Innovation	.185	.071	.158	2.584	.010	.044	.325	.975	1.026
Environmental	-.060	.035	-.104	-1.711	.088	-.128	.009	.989	1.012
Moderator_1	.040	.028	.087	1.421	.156	-.016	.096	.967	1.035

a. Dependent Variable: Profit_Growth/maximisation

Hair *et al.* (2014:161) point out that multi-collinearity could thus influence the ability of these variables to accurately explain the variance in the dependent variable. Multi-collinearity exists when the independent variables in a regression analysis are correlated, and thus VIFs were calculated to assess whether multi-collinearity could affect the results of the regression analysis. Hair *et al.* (2014:161) recommended that multi-collinearity is a concern if the VIF value is higher than 5, and the tolerance value is <0.20. Table 6.48 shows that all the independent variables returned VIFs below 5, which mean that multi-collinearity does not pose a problem in the model.

Table 6.48 also shows that standardised coefficient values (β) indicate what the correlation of independent variables (service innovation practices and environmental dynamism) would be on dependent variable (profit growth/maximisation) when held constant (Tabachnick & Fidell, 2013).

The standardised coefficients are presented as follows: the standardised coefficient of service innovation is (β=0.140; p=0.034<0.05; t-statistics=2, 137), and environmental competitiveness does make a significant contribution (β= 0.165; p=0.009<0.05; t-statistics=2.645).

A multiple linear regression was calculated to predict profit growth/maximisation (IV) based on service innovation practices (IV1) and environmental competitiveness (IV2). A significant regression equation was found (F(3,254)=6.462, p=000<0.05), with an R-squared of 0.071 and the change in R-squared is 0.3%=0.003x100 (0.071-0.068). The respondents predicted profit growth/maximisation (DV) is equal to 3.899+0.185 (IV1)-0.060(IV2).

In Table 6.48, environmental competitiveness had a significant contribution (β=0.165; p=0.009<0.05) to profit growth/maximisation, while the moderator had an insignificant contribution (β=0.059; p=0.133>0.05). The p-value of environmental competitiveness is less than 0.05, therefore, H5a is accepted.

Hypothesis 5b is stated as follows:

H5b: *Environmental competitiveness moderates the relationship between service innovation practices and business performance (organisational competitiveness) such that the higher the environmental competitiveness, the stronger the relationship between service innovation and business performance (organisational competitiveness) of MVRs.*

Multiple regression analysis was executed to determine the moderation of environmental competitiveness on the relationship between service innovation practices and profit growth/maximisation, and the following results were generated as depicted in Tables 6.49 to 6.52.

Table 6.49 presents the ANOVA results generated from the regression executed to determine the variance between the variables and to determine whether the outcome is statistically significant.

Table 6.49: ANOVA (Service innovations, environmental competitiveness, organisational competitiveness)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	3.385	3	1.128	4.051	. 008[b]
Residual	70.747	254	.279		
Total	74.133	257			

a. Dependent Variable: Profit _Growth

b. Predictors: (Constant), Moderator 1, Environmental Competitiveness_Service_Innovation

ANOVA is used to examine and determine the variance in the dependent variable and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013). Table 6.49 indicates that the regression reached statistical significance, since the *p*-value (sig)=0.008 is less than the 0.05 significance level.

Tables 6.50 and 6.51 present the residual statistics with and without outliers to examine the Cook's and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.50: Residual Statistics with outliers (Service innovations, environmental competitiveness, organisational competitiveness)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.2090	4.6966	4.4515	.11327	268
Std. Predicted Value	-2.141	2.164	.000	1.000	268
Standard Error of Predicted Value	.034	.173	.059	.024	268
Adjusted Predicted Value	4.1771	4.7153	4.4512	.11371	268
Residual	-1.54215	.79100	.00000	.52268	268
Std. Residual	-2.934	1.505	.000	.994	268
Stud. Residual	-2.953	1.535	.000	1.002	268
Deleted Residual	-1.56192	.82285	.00026	.53086	268
Stud. Deleted Residual	-2.997	1.539	-.001	1.006	268
Mahal. Distance	.148	28.006	2.989	4.163	268
Cook's Distance	.000	.056	.005	.007	268
Centered Leverage Value	.001	.105	.105	.016	268

a. Dependent Variable: Organisational_Competitiveness

As can be seen in Table 6.50, the Cook's value is (0.056<1) and the Mahalanobis value is (28.006>16.81) which suggests that there were major problems detected, and therefore the model is invalid and had outliers. After the removal of outliers, another regression was executed as shown in Table 6.51 below.

Table 6.51: Residual Statistics without outliers (Service innovations, environmental competitiveness, organisational competitiveness)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.1838	4.6779	4.4522	.11477	258
Std. Predicted Value	-2.339	1.966	.000	1.000	258
Standard Error of Predicted Value	.036	.125	.062	.022	258
Adjusted Predicted Value	4.1420	4.7011	4.4518	.11556	258
Residual	-1.54858	.81620	.00000	.52467	258
Std. Residual	-2.934	1.547	.000	.994	258
Stud. Residual	-2.962	1.586	.000	1.003	258
Deleted Residual	-1.57780	.85804	.00040	.53422	258
Stud. Deleted Residual	-3.008	1.590	-.001	1.007	258
Mahal. Distance	.190	13.352	2.988	2.930	258
Cook's Distance	.000	.087	.005	.010	258
Centered Leverage Value	.001	.052	.102	.011	258

a. Dependent Variable:Organisational_Competitiveness

Table 6.51 shows a new Cook's value was generated (0.052<1) and the Mahalanobis value was (13.352<16.81) which suggests that there were no further problems detected, and therefore the model is valid.

Table 6.52 depicts the coefficient statistics generated in executing the hierarchical regression.

Table 6.52: Coefficient Statistics (Service innovations, environmental competitiveness, organisational competitiveness)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Tolerance**	**VIF**
(Constant)	3.045	.431		7.066	.000	2.196	3.894		
Service_Innovation	.227	.094	.159	2.408	.017	.041	.413	.858	1.165
Environmental_Competitiveness	.093	.056	.106	1.671	.096	-.017	.202	.940	1.064
Moderator_1	.018	.049	.024	.367	.714	-.079	.115	.887	1.127

a. Dependent Variable: Organisational_Competitiveness

According to Hair *et al.* (2014:161), multi-collinearity could thus influence the ability of these variables to accurately explain the variance in the dependent variable. Multi-collinearity exists when the independent variables in a regression analysis are correlated and thus VIFs were calculated to assess whether multi-collinearity could affect the results of the regression analysis. Hair *et al.* (2014:161) recommended that multi-collinearity is a concern if the VIF value is higher than 5, and the tolerance value is <0.20.

Table 6.52 shows that all the independent variables returned VIFs below 5, which means that multi-collinearity does not pose a problem in the model. Table 6.52 shows that standardised coefficient values (β) indicate what the correlation of independent variables (service innovation practices and environmental dynamism) would be on the dependent variable (profit growth/maximisation) when held constant (Tabachnick & Fidell, 2013).

The standardised coefficients are presented as follows: standardised coefficient of service innovation is (β=0.159; p=0.017<0.05; t-statistics=2, 408), and environmental competitiveness does make an insignificant contribution (β=0.106; p=0.096>0.05; t-statistics=1.671).

A multiple linear regression was calculated to predict organisational competitiveness (IV) based on service innovation practices (IV1) and environmental competitiveness (IV2). A significant regression equation was found (F(3,254)=4.051, p=008<0.05), with an R-squared of 0.045 and change in R-squared is 0.1%=0.001x100 (0.046-0.045). The respondents predicted organisational competitiveness (DV) is equal to 3.045+0.227(IV1)+0.093(IV2).

In Table 6.52, environmental competitiveness had an insignificant contribution (β=0.106; p=0.096>0.05) to organisational competitiveness. Moderator had an insignificant contribution (β=0.024; p=0.714>0.05). Due to the fact that the p-value of environmental competitiveness is greater than 0.05, H5b is rejected.

Hypothesis 5c was stated as follows:

H5c: *Environmental competitiveness moderates the relationship between service innovation practices and business performance (organisational reputation) such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (organisational reputation) of MVRs.*

Table 6.53 presents the ANOVA results generated from the regression executed to determine the variance between the variables and to determine whether the output is statistically significant.

Table 6.53: ANOVA (Service innovations, environmental competitiveness, organisational reputation)

Model	Sum of squares	df	Mean Square	F	Sig.
1 Regression	.809	2	.404	3.264	. 040[b]
Residual	32.825	265	.124		
Total	33.633	267			

a. Dependent Variable: Organisational_Reputation

b. Predictors: (Constant), Moderator 1, Environmental Dynamism_Service_Innovation

ANOVA is used to examine and determine the variance in the dependent variable and to establish how much of the variance is accounted for by the independent variables (Tabachnick & Fidell, 2013). Table 6.53 indicates that the regression reached statistical significance, since the p-value (sig)=0.040 is less than the 0.05 significance level.

Tables 6.54 below presents the residual statistics to examine the Cook and Mahalanobis values for the validity of the model generated in addressing the hypothesis.

Table 6.54: Residual statistics (Service innovations, environmental competitiveness, organisational competitiveness)

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.5345	4.8298	4.6779	.05503	268
Std. Predicted Value	-2.604	2.761	.000	1.000	268
Standard Error of Predicted Value	.023	.073	.036	.010	268
Adjusted Predicted Value	4.5294	4.8368	4.6776	.05513	268
Residual	-1.04280	.42396	.00000	.35063	268
Std. Residual	-2.963	1.205	.000	.996	268
Stud. Residual	-2.970	1.215	.000	1.001	268
Deleted Residual	-1.04803	.43151	.00025	.35430	268
Stud. Deleted Residual	-3.015	1.216	-.001	1.006	268
Mahal. Distance	.142	10.405	1.993	1.886	268
Cook's Distance	.000	.048	.003	.005	268
Centered Leverage Value	.001	.039	.007	.007	268

a. Dependent Variable: Organisational_Reputation

As shown in Table 6.54, the Cook's value is (0.048<1) and the Mahalanobis value is (10.405<16.81) which suggests that there were no major problems detected, and therefore the model is valid and had no outliers.

Table 6.55 depicts the coefficient statistics generated in executing the hierarchical regression.

Hair *et al.* (2014:161) point out that multi-collinearity could thus influence the ability of these variables to accurately explain variance in the dependent variable. Multi-collinearity exists when the independent variables in a regression analysis are correlated, and thus VIFs were calculated to assess whether multi-collinearity could affect the results of the regression analysis. Hair *et al.* (2014:161) recommended that multi-collinearity is a concern if the VIF value is higher than 5, and the tolerance value is <0.20.

Table 6.55: Coefficient Statistics (Service innovations, environmental competitiveness, organisational reputation)

	Unstandardised Coefficient		Standardised Coefficient			95.0% Confidence Interval for B		Collinearity Statistics	
Model	**B**	**Std. Error**	**Beta**	**t**	**Siq**	**Lower Bound**	**Upper Bound**	**Tolerance**	**VIF**
(Constant)	4.281	.270		15.885	.000	3.750	4.812		
Service_Innovation	.131	.057	.141	2.293	.023	.019	.244	.977	1.023
Environmental_Dynamism	-.046	.031	-.090	-1.460	.146	-.108	.016	.977	1.023

a. Dependent Variable: Organisational_Reputation

Table 6.55 shows that all the independent variables returned VIFs below 5, which means that multi-collinearity does not pose a problem in the model. Table 6.55 shows that the standardised coefficient values (β) indicate what the correlation of the independent variables (service innovation practices and environmental competitiveness) would be on the dependent variable (organisational reputation) when held constant (Tabachnick & Fidell, 2013). The respondents predicted organisational reputation (DV) is equal to 4.281+0.131(IV1)-0.046(IV2) with R-squared 0.024 and change in R-squared is 0%=0x100 (0.024-0.024).

The standardised coefficients are presented as follows: standardised coefficient of service innovation is (β=0.141; p=0.023<0.05; t-statistics=2, 293), and environmental competitiveness does not make a significant contribution (β= -0.090; p=0.146>0.05; t-statistics=-0.215). Due to the fact that the p-value of environmental competitiveness (moderator) is greater than 0.05, H5c is rejected.

Figure 6.3 displays the hypotheses results derived from the multiple-regression tests conducted in this study.

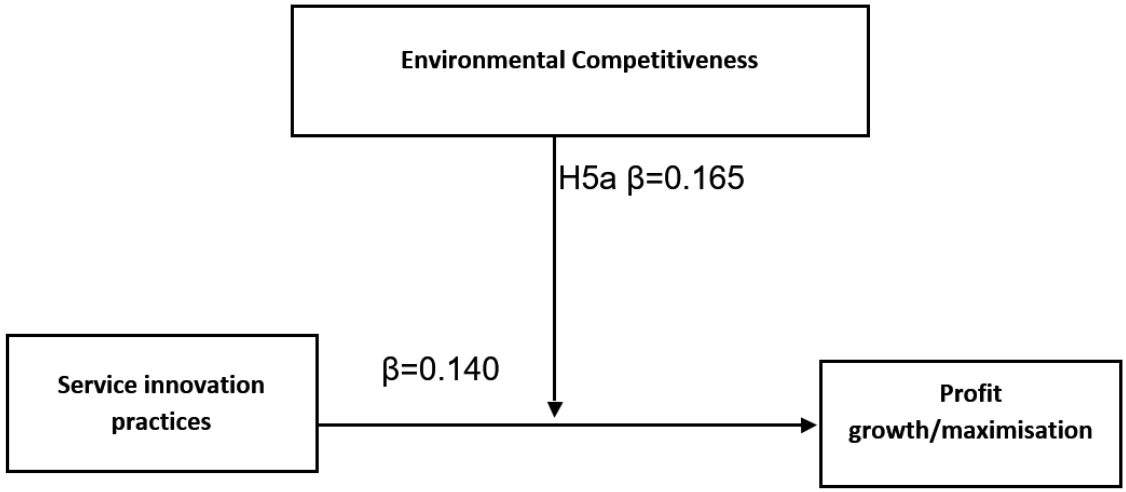

Figure 6.3: The moderating role of environmental competitiveness

Figure 6.3 shows that environmental competitiveness moderates the relationship between service innovation practices and profit growth/maximisation such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (profit growth/maximisation) of MVRs.

Table 6.56 provides a summary of the results of the hypotheses tested in this research.

Table 6.56: Summary of results of the hypotheses

Hypothesis	Supported/ Not-supported
H1: Service innovation practices has a significant positive influence on financial performance (profit growth/maximisation) of MVRs.	Accepted
H2: Service innovation practices have a significant positive influence on business performance (organisational competitiveness) of MVRs.	Accepted
H3: Service innovation practices have a positive influence on the organisational reputation of MVRs.	Accepted
H4a: Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between the service innovation practices and business performance (profit growth) of MVRs.	Rejected
H4b: Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between the service innovation practices and business performance (organisational competitiveness) of MVRs.	Rejected
H4c: Environmental dynamism moderates the relationship between service innovation practices and business performance such that the higher the environmental dynamism, the weaker the relationship between the service innovation practices and business performance (organisational reputation) of MVRs.	Rejected
H5a: Environmental competitiveness moderates the relationship between service innovation practices and business performance (profit growth/maximisation) such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (profit growth) of MVRs.	Accepted
H5b: Environmental competitiveness moderates the relationship between service innovation practices and business performance (organisational competitiveness) such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (organisational competitiveness) of MVRs.	Rejected
H5c: Environmental competitiveness moderates the relationship between service innovation practices and business performance (organisational reputation) such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (organisational reputation) of MVRs.	Rejected

6.5 CHAPTER SUMMARY

This chapter presented the results of this study and started by revisiting the research objectives. Secondly, this chapter explained the structure of the presentation of the results for both the qualitative and quantitative phases, profiles of participants, sample

realisation, and the reliability and validity of data-collection instruments used in this study. Table 6.57 provides a summary of the qualitative phase of the thesis.

Table 6.57: Summary of the results of the qualitative phase

Research objectives	Main results
To gain insight into the service innovation activities implemented by MVRs.	Service innovation activities used in MVRs are marketing innovations which are linked to promotions (marketing communication), technology usage, customer service, after-sales services, physical environment, pricing, internal processes, and products being offered to customers. New technology in the form of new computer systems and social media platforms such as WhatsApp, Instagram and Facebook are embraced to share information and images with customers. Participants further indicated that customer service and after-sales services are used as part of service innovation to add value to customers. New improved internal processes, as part of service innovation, are used to improve turnaround time in terms of sales applications, and ordering pf spare parts to meet the needs of customers. The organisations check the quality of the cars before they are delivered to customers to add value to these customers. Extended warranties on vehicles, after-hours, overnight and Saturday service repairs have been introduced in dealerships as part of service innovation. Both bottom-up and top-down approaches are used to introduce new service innovations to ensure easy implementation.
To determine the drivers of MVRs' service innovation activities.	The following drivers of service innovations were identified: Management support, internal human resources competencies, available budget, internal processes, information technology resources (computer systems and software), and external factors such as networks, political stability in the country and a need to improve business returns, serve as drivers of service innovations in MVRs. Secondly, the internal staff can present any idea that might result in business returns, but these ideas should fall within the ethics and frameworks of the organisation. In addition, a bottom-up approach drives service innovation, as it can please the internal staff and they enjoy the freedom to think and become creative and innovative. Lastly, participants, competition, new systems, external networks such as manufacturers, and customers are also drivers of service innovations.
To identify the barriers that hinder the implementation of MVRs' service innovation practices.	The following barriers were discovered: lack of buy-in or acceptance of new service innovation ideas and financial resources, particularly, available budget which is linked to profit generated, age, cultural background, individual bias and poor internal communication can serve as barriers to the implementation of service innovation activities. In addition, resistance to change can serve as a barrier to the implementation of service innovations, as internal staff members tend to become complacent and are comfortable with the *status quo*. Moreover, franchise and franchisee

Research objectives	Main results
	agreements, and competition standards set by the government and regulatory bodies, such as the Competition Commission can serve as barriers to the implementation of service innovation activities. Lastly, there may be difficulties in selling new ideas to customers, and a lack of perseverance with a new idea can serve as barriers or challenges towards the implementation of service innovation activities.
To determine how MVRs measure the influence of service innovation practices on business performance.	The influence of service innovation activities is measured by determining the financial returns in their organisations. Feedback questionnaires are used in organisations (MVRs) to evaluate if customers are happy with the service rendered. Customer enquiries are also used to measure the performance of new service innovation activities being implemented. In addition, organisational reputation is measured by investigating the amount of repeat business from existing customers, for example, determining how many customers travel long distances to acquire services from the dealership.
To determine employees' perceptions regarding the environmental factors that can influence the relationship between service innovation and business performance of MVRs.	The following environmental factors were identified: political uncertainty linked to economic instability, inflation and changes in interest rates as possible factors that can influence the relationship between service innovation and business performance. Various service innovation activities were initiated, but could not yield results due to the economic downturn, and customers preferred to buy at a variable interest rate due to the uncertain political state in the country. In addition, the level of competition in motor retail is intense. However, participants argued that in order to avoid the depletion of influence of service innovation activities on business performance due to rapid changes in interest rates, the organisation needs to be smart, creative and innovative. Furthermore, participants argued that adjustments need to be made to cover costs and counter the competition. Lastly, there are conflicting results about the influence or the moderating role of environmental factors such as economic instability, and interest rates on the relationship between service innovation practices and business performance.

The significant results of the qualitative phase are depicted in Table 6.57, for example, the discovery of the service innovation activities implemented by MVRs, the drivers of these innovation activities, the difficulty in measuring non-financial business performance, and the conflicting results in terms of environmental factors that have a moderating influence on the relationship between innovation practices and business performance.

The significance is highlighted by the contribution of Resources-Based View Theory (RBV), Contingency Theory, and Complexity Theory. RBV provides that resources are

derived from or created by activities within the organisation, while capabilities emerge from the combination of these resources (Chae *et al.*, 2014:4696). This view is supported by Adebanjo *et al.* (2016:1987) in suggesting that RBV theory emerges as a theoretical perspective which is used to explain persistency in business performance differences and arguing that organisations have unique resources and capabilities that are valuable, rare, difficult to imitate, and not substitutable.

Contingency Theory suggests that "organisational effectiveness results from fitting characteristics of the organisation to contingencies that reflect the situation of the organisation" (see McAdam *et al.*, 2016:1).

According to Levin (1991), Complexity Theory involves selecting the area(s) of competition, setting strategic performance aspirations or setting the strategic stance in the market (for example; competition strategy, being the first mover, being the fast follower), and adapting internal processes that facilitate all kinds of emergent processes as self-generated sources of dissipative energy, such as improvisation, product or service champions, and emergent strategies.

The results of the quantitative phase presented in this chapter are significant in confirming that service innovation practices have a positive influence on the business performance of service organisations, in the context of the motor vehicle retailers operating in South Africa. In addition, the quantitative inquiry confirmed that environmental competitiveness does moderate the relationship between the service innovation practices and profit growth of service organisations. In addition, the quantitative inquiry is significant by illustrating that environmental competitiveness does not have a moderating effect on organisational competitiveness and organisational reputation. Lastly, the results of the quantitative inquiry are significant by revealing that environmental dynamism does not have moderating effects on business performance (profit growth, organisational competitiveness and organisational reputation) of service organisations in the South African context. The significance is highlighted by the contribution made to Complexity Theory by discovering the complexity associated with the implementation of effective service innovation activities.

Chapter 7 discusses the significance of the results of the qualitative and quantitative phases of this thesis in relation to the contribution made to Resources-Based View Theory, Contingency Theory, and Complexity Theory.

CHAPTER 7:
DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study was to, firstly, fill the existing gaps in the body of knowledge regarding the implementation of service innovation practices, specifically in terms of Motor Vehicle Retailers (MVRs) as service organisations in South Africa; secondly, to investigate the lack of knowledge regarding the influence of service innovation practices on the business performance of MVRs; and thirdly, to investigate the lack of knowledge on the business environmental factors that influence the relationship of the service innovation practices and business performance of retail organisations, in the context of a developing market economy such as in South Africa.

The aim of this study was addressed through a sequential, exploratory mixed-method research design, and the findings are discussed in this chapter. Moreover, this chapter will deliberate on the significance of the results presented in Chapter 6, in relation to the contribution made to Resources-Based View Theory (RBV), Contingency Theory, and Complexity Theory and service innovation literature. The discussion will follow the sequence presented in Figure 7.1.

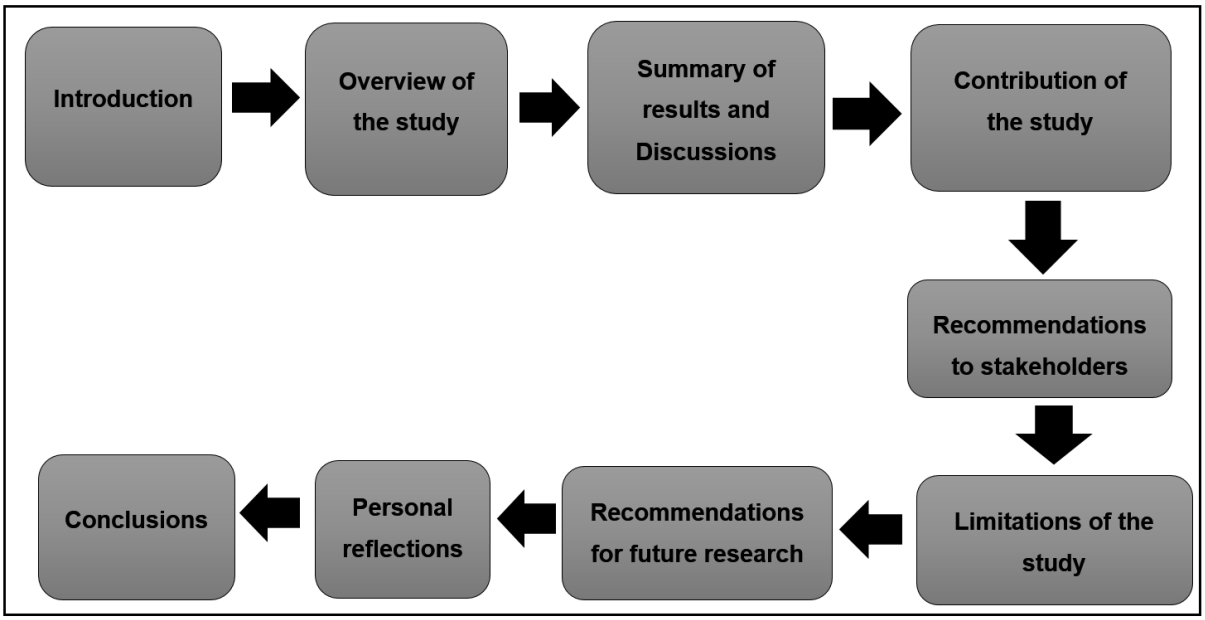

Figure 7.1: Flow of Chapter 7

7.1 INTRODUCTION

The primary research objectives of this thesis are summarised as follows:

- Firstly, to gain insight into the implementation of MVRs' service innovation practices.
- Secondly, to determine the employees' perceptions regarding the influence of MVRs' service innovation practices and business performance (profit growth/maximisation, organisational competitiveness and organisational reputation).
- Thirdly, to determine the employees' perceptions regarding the moderating role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between service innovation practices and business performance, as explained in Chapter 1.

Chapter 6 presented the results of this study. This chapter revisits the secondary research objectives to demonstrate that the research methodology adopted and research results obtained, were able to achieve the research objectives. The research results of the current study are briefly summarised, and evaluated against the results found in previous research studies, as discussed in Chapters 2, 3 and 4 of this thesis. This chapter further presents recommendations to stakeholders, based on the research results. Finally, this chapter presents the scientific contribution of this thesis, the limitations of this study, and recommendations for future research on the topic, personal reflections, and overall conclusions of this study.

7.2 OVERVIEW OF THE STUDY

The research problem of this study is the lack of academic literature on the implementation of service innovation in a retail context, and the impact on business performance. The following research objectives were formulated to address the research problem of the current study:

(1) To gain insight into the implementation of MVRs' service innovation practices;

(2) To determine employees' perceptions regarding the influence of service innovation practices on the MVRs' business performance; and

(3) To determine the moderating role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between the

service innovation practices and business performance of MVRs in the efficiency-driven economy of South Africa.

This study adopted a holistic approach to the management of service innovation practices in service organisations (specifically, motor vehicle retailers) by incorporating the micro (internal), market (external) and macro (external) environments.

As a first step, the relevant innovation and business literature was reviewed to address possible shortcomings in the study. Based on the literature review, it was apparent that the Resources-Based Theory, Contingency Theory and Complexity Theory were valuable theoretical domains to enable an understanding of service innovation practices in service organisations such as MVRs.

The current study was conducted to explore the implementation of MVRs' service innovation practices, and to determine: (1) the hypothesised influence of service innovation practices on business performance; and (2) the moderating role of the macro-(external) and market (external) environmental factors on the relationship between the service innovation practices and business performance of MVRs.

7.3 SUMMARY OF RESULTS, DISCUSSIONS AND CONCLUSIONS

In this section, the research results are summarised, evaluated in line with the research objectives to confirm that the research objectives were realised, and conclusions are drawn. During the evaluation of the results of the current study, the secondary objectives, as formulated in Chapter 1, are revisited; the empirical results regarding each objective are provided; and are compared to the research results of previous studies as discussed in the literature overview of the current study.

The next section focuses on the first secondary research objective.

7.3.1 Secondary research objective 1

This sub-section revisits the first secondary research objective derived from the primary research objective of this study. The first secondary research objective is stated as follows:

"To gain insight into the implementation of MVRs' service innovation practices."

To address the first secondary objective, participants were asked two questions, namely:

1) What types of service innovation activities or practices are used in organisations? and
2) How are service innovation activities implemented in organisations?

The results of this study, as presented in Chapter 6 (Section 6.3.1), showed evidence that the type of service innovation activities used in MVRs are marketing innovations that are linked to promotions (marketing communication); customer service; after-sales services; physical environment; pricing; internal processes; special events; technology usage; and new products and service offerings being offered to customers.

Secondly, the results conveyed that shopping mall displays are used innovatively to display the vehicles in promoting the brand and to increase visibility of the product offerings as part of promotions.

Thirdly, that gifts are offered to customers after the sales transaction has been concluded and during the delivery of the vehicle to the customer to create a lasting memory in the customer's mind. New operation times have also been introduced as part of service innovation, and customers are offered after-hours, overnight or Saturday repair services. In addition, customers are offered extended warranties on vehicles that are out of warranty. This study discovered that MVRs have implemented a range of operations innovations to improve their customer service, for example, introducing cut-off times to reduce the turnaround time on orders of vehicle parts, and in other instances, sourcing parts from other dealership networks.

Fourthly, it was found that social media platforms are used in the organisation during the delivery of vehicles to customers when the marketing message is shared through visual images on social media. Moreover, this study determined that to extend service to customers, MVRs support customers with free transportation during special occasions and that internal staff attend events hosted by customers to add value to customers and to build relationships.

Lastly, that in their respective organisations, price innovations are used to create value for the customers, and an e-Consultant strategic position was created as part of service innovation in MVRs.

However, with regard to service innovation implementation, this study uncovered that to implement service innovation activities, both top-down and bottom-up approaches are used in the organisations to ensure that service innovation activities are introduced in a manner that can be easily implemented. Giannopoulou *et al.* (2014:25) defined service innovation as a type of product innovation which involves the introduction of services that are new or improved and that aim to create value to customers, organisations and other stakeholders in a given context. Durst *et al.* (2015:66) defined service innovation as the introduction of new service offerings or incremental improvements or adaptations of the existing service offerings. Kindström and Kowalkowski, (2014:373) alluded that service innovation can be planned, intentional, or unintentional, and emerges from an interactive learning process between the organisation and customers. Hinterhuber and Liozu (2014:414) postulated that organisations can bring innovation in organisations by using the marketing mix elements, such as price, as a source of competitive advantage.

Bellini *et al.* (2017:93) pointed out that there are various strategic decisions in service innovations which include: temporal reconfiguration, temporal expansion, spatial reconfiguration, and spatial expansion, as discussed in Chapter 3 of the current study.

Grewal *et al.* (2017:1) highlighted that technology can assist retailers in targeting suitable consumers, and it can also enable consumers to make informed decisions about which service offerings or products to consume. Aguirre *et al.* (2016:101) alluded that consumers use technology, such as engaging through social media platforms, to connect with others and build relationships, and that social media has changed the format of these relationships. Firstly, the results of this study concur with the results of the study of Bellini *et al.* (2017) on the use of temporal expansion as part of service innovation by discovering the new internal processes used by MVRs, such as customers service activities, after-sales activities (shuttle services), reducing turnaround times, and price adjustments which form part of price innovations.

Secondly, the results of the current study are consistent with the findings of Bellini *et al.* (2017) regarding temporal reconfiguration, by uncovering that new additions to service offerings, such as offering extended warranties on vehicles out of warranty, and offering after-hours, overnight, and Saturday repair services to customers, are part of service innovations.

Thirdly, the results of the current study concur with Bellini *et al.*'s (2017) findings on the use of spatial reconfiguration by revealing how MVRs manipulate the physical environment setting as part of service innovations to create a conducive retail setting for customers.

The results add insight by uncovering the use of technology in the form of social media and marketing communications to communicate new service innovation activities to customers. These results are partially in agreement with the views of Grewal *et al.* (2017) on how technology can be used by retailers to communicate with their target customers. The results of this study regarding the use of technology to facilitate MVRs' service innovation activities support Lehrer *et al.*'s (2018:425) view that organisations use digital technologies as a key resource to generate service innovation.

The results of this study further conveyed that service innovations are planned and intentional, with clear objectives. These results of the current study are in agreement with the view by Kindström and Kowalkowski (2014) that service innovation can be planned and intentional. In addition, this study adds new insight by discovering that to extend service to customers, MVRs support customers with free transportation during special occasions and that internal staff attend events hosted by customers to add value to both customers and to build relationships.

The results revealed that the System operation program (SOP) has been introduced as part of service innovation on the administrative side to shorten the turnaround times on customers' orders of vehicle parts. This result concurs with the argument by Weerawardena *et al.* (2018) that innovative organisations tends to build market capabilities, and internal and relational learning which provide new knowledge to embark on technical and administrative innovations. Moreover, the findings add new insight by revealing that a strategic position, the e-Consultant, has been established in MVRs as part of service innovations to serve customers in booking test drives and to address online enquiries by customers.

Furthermore, the results conveyed that gifts are offered to customers during the delivery of vehicles to customers after the sales transactions have been concluded to create a lasting memory in the minds of customers.

Lastly, the outcomes of this study added new insight by uncovering that both the bottom-up and top-down approaches are followed to develop and communicate the service innovation activities to be implemented within the organisations of interest.

7.3.2 Secondary research objective 2

"To determine the drivers of MVRs' service innovation practices."

The results of this study, as discussed in Chapter 6 (Section 6.3.2), revealed that management support, competent internal human resources, available financial budget, customers, competitors' activities, new systems, and external factors such as networks and a need to improve business returns, serve as drivers of service innovations in MVRs.

Carlborg *et al.* (2014:379) pointed out that service innovation activities are linked more to significant organisational resources which can be utilised as the means to achieve increased business performance (for example, competitive advantages). Lusch and Nambisan (2015:155) identified the following as drivers of service innovation activities in organisations: the important role of customers; facilitating easy access to resources; increasing resource density; integration of resources, and digitalisation through the use of technology. The results of the current study support the findings of Lusch and Nambisan (2015) and Li and Peters (2019:1) by identifying technology as a driver of service innovation in organisations in the service system context.

The results of this research identified the role of customers and access to resources, such as competent staff and available financial budget, as the drivers of service innovation activities. The findings on customers as key drivers of service innovations are in agreement with the argument by Aguirre *et al.* (2015) that retailers need to have knowledge about customers in order to devise innovations.

The results regarding staff as the drivers of service innovations, are consistent with the findings of the study by Patrício *et al.* (2018:3) that service design and innovation are based on the crucial roles played by customers and employees in creating new forms of value co-creation.

In addition, the outcomes of this research add new insight by emphasising the importance of management support in relation to the generation of new service innovation ideas. Moreover, the current study adds new insight by uncovering the activities of competitors as a source and a driver of service innovation activities. This research also adds new insight by revealing new systems and external factors, such as networks derived from franchisee and franchisor agreements, as drivers of service innovations that have an influence on competitive advantage.

7.3.3 Secondary research objective 3

"*To identify the barriers that hinder the implementation of MVRs' service innovation practices."*

The results of this study, as discussed in Chapter 6 (Section 6.3.3), discovered the following barriers that hinder the implementation of MVRs' service innovation: lack of buy-in in terms of the new idea by internal sales consultants, resistance to change, internal staff resistance, limited budget, franchise and franchisee agreements, competition, government legislation, competition standards set by other regulatory bodies such as the Competition Commission, difficulty to sell new ideas to customers, lack of perseverance, cultural background, age, personal bias and poor internal communications.

Therefore, these findings support the argument by Witell *et al.* (2016:439) that researchers and managers need to examine both negative and positive issues related to service innovations. The above-mentioned authors identified the following barriers which serve as negatives on service innovation activities: frustration of adoption, time wasting, competitive advantage loss, 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.* (2017:9) found that high innovation costs, lack of sufficient finance, insufficient market information, insufficient technological information, shortage of qualified personnel, and high economic risks to be the major barriers towards effective innovation activities in a retail context. Tehseen *et al.* (2017:10) added that organisations with unqualified employees that have no information regarding market trends and technologies serve as barriers to the implementation of effective innovative activities or strategies.

The results 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 adoption of new service innovation ideas as barriers to the effective implementation of service innovation. In addition, the results of this study concur with Baporikar (2015:250) by discovering the non-adoption of innovations as one of the primary reasons for service innovation failure. Moreover, the current study is significant 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 as barriers to the implementation of service innovation activities.

7.3.4 Secondary research objective 4

> *"To determine how MVRs measure the influence of service innovation practices on business performance."*

The results of this study, as discussed in Chapter 6 (Section 6.3.4), discovered that increase in sales returns, profit, customers' enquiries, and repeat business are used to measure the influence of service innovation activities on business performance. In addition, the results revealed that feedback questionnaires are used to measure responses related to the influence of service innovation performance in the respective organisations.

Dobni and Klassen (2015:105) pointed out that innovation is important for various reasons, and one of the most compelling is its positive relationship to business performance. Therefore, enhancing the innovative ability in organisations is one of the crucial steps towards increasing profitability and business growth in organisations. A study by Booz and Company (2014) found that organisations that have a strong alignment between their business and innovation strategies outperform their peers, including a 40% higher operating income growth over a three-year period, and 100% higher shareholder return.

Thankur and Hale (2013) have shown that service innovation is positively related to both financial and non-financial performances in the United States of America and India.

This study discovered that sales increases and profit growth are used as the main financial indicators to measure the effect of service innovation practices on business performance. These results are in line with the findings of the studies by Dobni and Klassen (2015) and Thankur and Hale (2013. However, the findings of this study are significant by providing evidence of the indicators used as the measures of service innovation activities on business performance.

7.3.5 Secondary research objective 5:

"*To determine employees' perceptions regarding the environmental factors that can influence the relationship between service innovation and business performance of MVRs."*

The results of this study, as discussed in Chapter 6 (Section 6.3.5), revealed conflicting views on the influence of economic factors, such as interest rates changes, on the relationship between service innovation practices and business performance. This study uncovered that the economy does not necessarily influence the relationship between service innovations and business performance, as during an economic recession some customers buy expensive motor vehicles for cash, despite the fact that interest rates do influence business performance in terms of a decline in sales.

This study found that economic instability has some influence on some of the service innovation activities initiated in organisations, as new service innovations could not yield results due to the economic downturn, and customers preferred to buy at a variable interest rate due to the uncertain political state in the country. This research revealed that the impact of economic pressure is visible when customers can only afford to pay for a vehicle repair service and are unable to pay for other repairs, such as wheel balancing. This research disclosed that during interest rate fluctuations or instability, adjustments are necessary to make service offerings affordable to customers.

However, the outcomes of this study discovered that there are many external factors, such as political instability, the economic downturn and seasonal factors that influence the relationship between service innovation activities and business performance, for example during school holidays, customers leave the province. Tsai and Yang (2013:136) pointed out that innovation, as a competitive strategy, can be used to enhance business performance, despite it being influenced by the business environment in which the organisation operates.

Prajogo (2016:242) revealed that managers should seek to maintain a balance between the organisations' innovation strategies and the conditions prevailing in its environment, such as environmental dynamism and environmental competitiveness. The results of the current study partially concur with Prajogo (2016) and Tsai and Yang (2013) by discovering that environmental factors, such as economic instability, have

an influence on some of the service innovation activities initiated in organisations, as new service innovations could not yield results due to the economic downturn, and customers preferred to buy at a variable interest rate due to the uncertain political state in the country.

The results are significant by discovering that the impact of economic pressure is visible when customers can just afford to pay for vehicle repair services and are unable to pay for other repairs, such as wheel balancing. In addition, the results of the current study uncovered that during interest rate fluctuations or instability, adjustments are necessary to make the service offerings affordable to customers.

Moreover, the results of the current study revealed that there are many external factors, such as political instability and seasonal factors, that have an influence on the relationship between the service innovation activities and business performance, for example, during school holidays, when customers leave the province. Furthermore, this research adds insight by discovering that in order to avoid the depletion of influence of service innovation activities on business performance due to rapid changes in interest rates, the organisation needs to continue to be creative and innovative.

7.3.6 Secondary research objective 6:

> "*To determine the employees' perceptions regarding the influence of service innovation practices on business performance."*

The results of the current study, as discussed in Chapter 6 (Section 6.4.5), confirmed that service innovation practices have a positive influence on the business performance of MVRs, including both financial (profit growth/maximisation and organisational competitiveness) and non-financial business performances (organisational reputation).

Alafeef (2015:193) argued that organisations tend to use innovation with the aim of enhancing business performance and market share. Mafini (2015) examined the relationship between business performance and innovation, and the findings of this study revealed that there is a significant positive relationship between innovation and business performance.

Similarly, Al-Ansari *et al.* (2013) uncovered that there is a significant positive link between innovation and business performance. Shin *et al.* (2015:45) shared the same sentiment by pointing out that there are several methods for measuring organisational performance, and classifying these methods into two main categories, namely financial and non-financial performance measurement.

Sethibe and Steyn (2017:2) point out that to measure the financial aspects of organisational performance, researchers could use either accounting-based measures, such as profitability, sales growth, return on assets (ROA), return on sales (ROS), return on equity (ROE) and/or ROI, or stock market measures, profit growth, and non-financial measures which include customer satisfaction and retention, market share, competitiveness, reputation, branding and quality.

The results of the current study ascertained that service innovation practices have a positive influence on the business performance of both the MVRs' financial (profit growth/maximisation and organisational competitiveness) and non-financial business performance (organisational reputation). These results concur with the findings of Carlborg *et al.* (2014) that service innovations influence business performance, such as competitive advantage.

In addition, the results of this study regarding the influence of service innovation practices on business financial performance supports are in agreement with that of Mafini (2015) and Al-Ansari *et al.* (2013) by confirming the positive relationship between the two variables. The findings of this thesis are significant to the body of knowledge by utilising organisational reputation as a non-financial measure in determining the influence of service innovation practices on business performance.

7.3.7 Secondary research objective 7:

"*To determine employees' perceptions regarding the moderating role of environmental dynamism on the relationship between the service innovation practices and business performance of MVRs*."

The results of this study, as discussed in Chapter 6 (Section 6.4.6), discovered that environmental dynamism does not have a moderating effect on the relationship between service innovation practices and both the financial (profit growth/maximisation and organisational competitiveness) and non-financial business performance (organisational reputation) of MVRs.

Organisations, including MVRs, aim to improve their business performance through innovations, however, these organisations in the 21st century operate in a complex business environment often characterised by strong competition and economic changes that bring uncertainty (Wang *et al.*, 2013). Prajogo (2016:242) alluded that innovation activities that are effective in increasing business performance in a particular business environment may not be effective in the same manner in other environments. As a result, managers need to make a match between the organisations' innovation activities and the environmental conditions.

Prajogo (2016:242) added that environmental dynamism and environmental competitiveness in the external environment of organisations can moderate the relationship between the organisations' innovation activities or strategies and their business performance. Prajogo (2016:244) confirmed the existence of the moderating role of environmental dynamism on the relationship between innovations and business performance.

Rollins *et al.* (2014:27270) pointed out that the economic situation of the country influences the strategies of organisations operating in the same country. The economic environment comprises external variables such as interest rates, inflation rates, the country's economic growth, exchange rates, and monetary and fiscal policies.

The results of the current study are in agreement with the views by Rollins *et al.* (2014:27270) that the economic environment, including interest rates, does have an influence on the strategies of organisations operating in the same country. However, the results of the current study revealed that environmental dynamism does not moderate the relationship between service innovation practices and business performance in service organisations (MVRs), and these results do not concur with the results obtained by Prajogo (2016).

Therefore, the evidence in this thesis is significant by demonstrating that environmental dynamism, in a country such as South Africa, does not moderate the influence of the service innovation activities implemented by MVRs on their business performance. In the context of this study, the environmental dynamism resulting from interest fluctuations does not have a moderating effect on the relationship between the service innovation practices of MVRs operating in South Africa.

7.3.8 Secondary research objective 8:

"*To determine employees' perceptions regarding the moderating role of environmental competitiveness on the relationship between the service innovation practices and business performance of MVRs."*

The results of this study, as discussed in Chapter 6 (Section 6.4.7), confirmed that environmental competitiveness moderates the relationship between service innovation practices and business performance (profit growth/maximisation) such that the higher the environmental competitiveness, the stronger the relationship between the service innovation and business performance (profit growth) of MVRs. However, the results of this study revealed that environmental competitiveness does not have a moderating effect on the relationship between the service innovation practices and business performance (organisational competitiveness) of MVRs. Similar results also uncovered that environmental competitiveness does not have a moderating effect on the relationship between the service innovation practices and business performance (organisational reputation) of MVRs.

Han, Choi, Kang and Lee (2010:443) argue that an understanding of the market environment is an essential requirement for organisations wishing to improve their business performance. An analysis of the consumers in the market is one of the most important aspects of the entire environmental analysis. Gupta (2013:35) added that organisations need to understand the social environment, including the behavioural patterns and lifestyles of customers, as they affect the strategic decisions of organisations. The key factor is that managers of organisations should understand the organisation's target customers' needs, attitudes, beliefs and preferences, their numbers and individual size, political and economic sensitivity, and their customers' responsiveness to the organisation's business activities.

Prajogo (2016:244) ascertained that there is a moderating role of environmental dynamism on the relationship between innovations and business performance. In line with the research objectives of the current study, the results discovered that environmental competitiveness moderates the relationship between service innovation practices and business performance (profit growth/maximisation), and these results partially support the results by Prajogo (2016) on the moderating role of

environmental competitiveness on the relationship between innovations and business performance, particularly, profit growth/maximisation.

The results of the current study further support the views by Gupta (2013:35) regarding the need to understand the market environment, the organisation's target customers' needs, attitudes, beliefs and customers' preferences. However, the results of the current study add new insight by uncovering that organisational competitiveness does not have a moderating effect on organisational competitiveness and organisational reputation. In addition, this study adds deeper insight by demonstrating that environmental dynamism is a non-moderator in the relationship between innovations (service innovation) and business performance (profit growth, organisational competitiveness and organisational reputation) in the South African context.

7.4 CONTRIBUTION OF THE STUDY

The contribution of the study will be discussed in terms of the contribution made firstly, to theory and service innovation literature, and secondly, to the motor vehicle retail sector.

7.4.1 Contribution to theory and service innovation literature

This thesis explored an area that has received little attention in the literature, and it will therefore make a significant contribution to theory and academic literature, and it will further benefit motor vehicle retail organisations.

Through examining and reviewing the secondary research, or available literature, it appears that the topic of the current study has not been comprehensively explored in any developing economies, as in the South African context. A review of the available secondary data and literature revealed that no research has explored the implementation of service innovations, while also measuring the perceptions regarding the influence of service innovation practices on business performance in the motor retail sector in any developing economy in Africa and other parts of the world. Moreover, this thesis makes a significant contribution by exploring the moderating role of environmental factors on the relationship between service innovation practices and business performance.

Some researchers have applied the Resource-Based View Theory (RBV) and Contingency Theory to investigate the gains derived from different types of innovations within different contexts, and they obtained mixed results. This thesis argues that it

adds value in assisting researchers and management practitioners to understand the complexity related to the implementation of service innovation activities that are worthwhile to organisations and stakeholders.

Figure 7.2 depicts the contribution of this thesis to theory and service innovation literature.

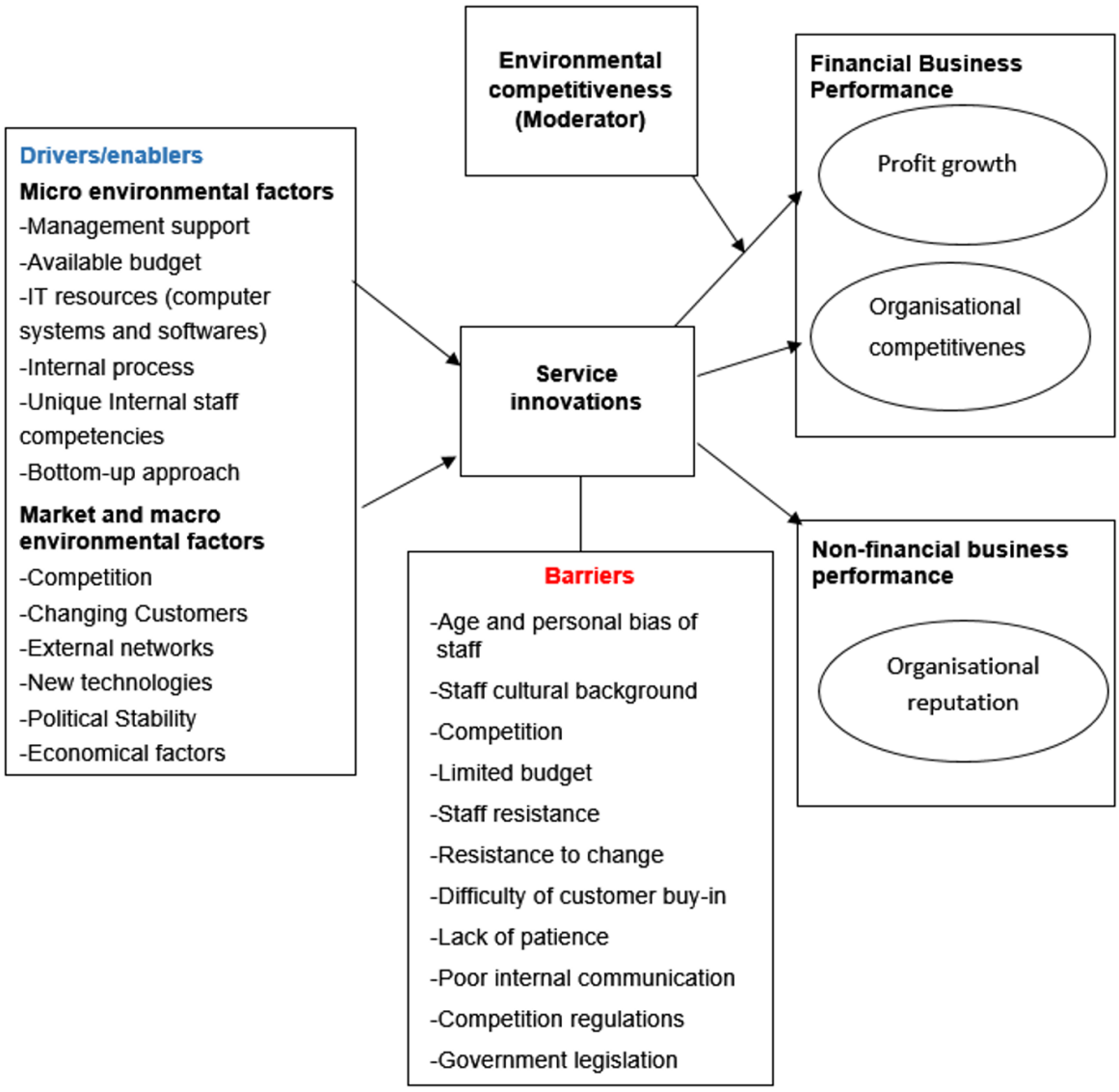

Figure 7.2: Contribution of the thesis

Figure 7.2 shows the contribution made by this thesis to theory and academic literature by positioning business environment as a driver or enabler of service innovations and a moderating variable (environmental competitiveness) that together influence the relationship of service innovation strategies/practices and business performance.

This thesis expands on the research by Pallas *et al.* (2013:1) which is of the view that organisations use innovation as a mechanism to positively enhance business

performance, create value and achieve competitive advantage, and further react towards changes in the business environment. This thesis acknowledges that the business environment drives and influences the competitive strategies of organisations which include service innovation activities. However, organisations have the option to choose to use competitive strategy or service innovation activities, regardless of the environmental dynamics in the business environment, as they are guided by the internal preferences, resources and competencies they possess.

Therefore, the question is whether organisations' service innovation activities are effective in delivering business performance, considering the external business environment, and this study addressed this question with regards to service innovation strategies. Specifically, this study addressed the question regarding service innovation practices within organisations operating in a developing economy of South African.

Therefore, the aforementioned questions warranted a contextual interpretation, as the business environmental contexts in developing economies are different from those in developed economies. The developing economies are characterised by a range of different competition, competition regulations, dynamics, government and economic policies, limited resources, and unique management practices. Thus, it is pertinent to pose the question: “Are the service innovation practices proven to be effective in developed economies usable in a developing economy such as in South Africa and in a retail context?” The available literature on service innovation is limited in addressing this critical question in the retail context. Therefore, this thesis adopted and made significant contributions the RBV theory, Contingency Theory and Complexity Theory to answer this question.

This thesis makes the following theoretical contributions:

In applying these theories, this thesis makes a significant contribution by demonstrating that organisations can achieve improved business performances (profit growth/maximisation, organisational competitiveness, and organisational reputation) as depicted in Figure 7.2, when internal resources are matched with the business environment. According to Barney (1991:105-106), RBV theory provides guidance in identifying value-creating resources which include assets, internal processes, organisational characteristics, and knowledge. In applying, RBV theory, this study identified available budget, management support, unique staff competencies, bottom-up internal processes, IT resources (computer systems and software), and

organisational networks (franchise and franchisee agreements) as drivers of the service innovation practices of MVRs in order to enhance business performance.

This thesis makes a significant contribution by identifying that internal (micro) and external (market and macro) resources can be used to develop unique competencies that drive service innovations to improve business performance.

- In the market environment, this study supports the need to understand the needs and preferences of customers to assist organisations in implementing effective service innovation activities.
- In the macro environment, this research acknowledges the need to consider the political stability and economic changes in the country, and to adopt new technologies in the development and implementation of new service innovations that have the potential to enhance business performance. This thesis postulates that political and economic changes, as well as market fluctuations such as competitor actions, and changes in consumer demands, serve as environmental factors that trigger the need to develop and implement new service innovations in MVRs in the South African context. This implies that these changes in the environment trigger changes in organisations that lead to the development and implementation of new service innovation activities in order to match these dynamics, and improve business performance.

This thesis made a significant contribution, as its results relate directly to Contingency Theory. Contingency theory argues that “organisational effectiveness results from fitting characteristics of the organisation to contingencies that reflect the situation of the organisation” (McAdam *et al.*, 2016:1). This theory implies that business performance is the result of the match between organisational resources and the dynamic business environment. This thesis contributes to Contingency Theory by considering the micro, market and macro environmental factors as enablers of service innovation activities, and introducing environmental competitiveness as a moderator factor between the relationship of service innovations practices and business performance (profit growth/maximisation) in the retail context using a case of MVRs.

The results of this thesis make a significant contribution to Complexity Theory. Complexity Theory postulates that “order naturally occurs in systems, no matter how simple, complex, non-linear, or chaotic the system is”. The view is that natural order evolves through self-organisation. In a manner that when a system is open to receiving

energy from the outside, it will tend to create order, and when a system becomes closed, it will deteriorate into maximum disorder and chaos. The idea that organisations can naturally develop effective strategies, structures, and processes and self-adjust to new strategies and environmental changes implies that managers should facilitate, guide, and set the boundary conditions within which successful self-organisation can take place (Levin, 1999:215).

In applying Complexity Theory, this thesis makes a significant contribution, as it provides evidence that managers in organisations can facilitate and guide the employees in organisations regarding service innovation activities to be implemented to achieve improved business performance within certain limits (limited budget, competition regulations, and government regulations). This study discovered that management support and openness to bottom-up processes are crucial to the effective implementation of service innovations if done within the organisations' budget boundaries. The thesis further supports the Complexity Theory by arguing that the complex, dynamic and competitive nature of the business environment presents both opportunities and threats which require organisations to make sense out of the information obtained from the environment in the implementation of service innovation activities; factors which render this process to become complex. The complexity is due to the larger number of barriers that can hinder the effective implementation of services innovation practices and the dynamics happening in the business environment in which organisations (MVRs) operate, as depicted in Figure 7.2.

This study makes the following additional contributions to the literature:

Figure 7.2 shows the barriers to the effective implementation of service innovation practices. This study has identified barriers which were not previously covered in literature, such as the following: franchise and franchisee agreements, government legislation, competition standards set by other regulatory bodies, such as the Competition Commission, the difficulty of selling new ideas to customers, cultural background, age, and personal bias, which have been identified as barriers for implementing service innovation activities. In addition, Figure 7.2 demonstrates that this study discovered the positive influence of service innovation practices on MVRs' business performance - both financial (profit growth, organisational competitiveness), and non-financial (organisational reputation). The results highlighted in this section add new insights to the body of service innovation literature by measuring the influence

of service innovation practices on non-financial business performance using organisational reputation as a non-financial measure.

7.4.2 Contribution to the motor vehicle retail sector

This study further contributes to motor vehicle retailers by identifying the key drivers of service innovation practices and discovering how new service innovations are developed and communicated within organisations for effective implementation. This study also highlighted the shifting trends in customers' media usage and discovered how media and online media platforms, such as websites and social media platforms, are used deliver the messages to target audiences. This results will help to increase the reach of the MVRs' marketing communication activities. Moreover, the results regarding the use of innovative displays at shopping malls will assist MVRs in terms of using human resources in a cost-effective manner, as staff rotation is used, and this contributes new information to the body of knowledge, as it has not previously been found in the literature.

This study further discovered challenges that need to be addressed in the development and implementation of effective service innovation practices that will benefit both organisations and customers. This study offers recommendations on how MVRs can address these challenges that were revealed to be the barriers to the effective implementation of service innovation activities or practices that aim to yield positive results. This study also revealed the existence of the positive influence of the MVRs' service innovation practices on business performances (both financial and non-financial). The results highlighted in this paragraph will benefit MVRs to create a realisation of the importance of developing and implementing new service innovation practices to improve their business performance and to offer new solutions to customers.

This study further discovered that environmental competitiveness does moderate the relationship between service innovation practices and profit growth/maximisation, and that it does not have a moderating effect on organisational competitiveness and organisational reputation. The results encourage MVRs to monitor their organisations' environmental competitiveness in planning and implementing new service innovation practices that can continue to improve business performance, and profit growth, in particular.

In addition, the results of the current study revealed that environmental dynamism does not moderate the relationship between service innovation practices and business performance in service organisations (MVRs), including both financial (profit growth and organisational competitiveness) and non-financial (organisational reputation) business performance. The preceding results will assist MVRs to learn how to manipulate their internal activities to cope with environmental dynamism in the country, such as in South Africa, to ensure that new service innovations continue to improve business performance, despite interest rate changes and economic instability.

7.5 RECOMMENDATIONS TO STAKEHOLDERS

This section provides recommendations to stakeholders in the motor vehicle industry derived from the results related to the secondary objectives formulated for this study.

7.5.1 Recommendations based on results of secondary research objective 1

This study discovered the different service innovation activities that occur in MVRs, and specifically found that marketing communications is used to convey messages about these new initiatives. For managers of MVRs: this study recommends that when discussing new service innovation ideas in the boardroom, service innovation should be viewed from the standpoint of customer value co-creation and financial and non-financial value that allow organisations to efficiently capture value. In short, new service innovation activities should be understood from the perspective of how they will benefit customers, the organisations and other stakeholders. Moreover, managers of MVRs should encourage and train customer-contact employees to be creative in developing new service innovation ideas that will yield value for both customers, organisations and other stakeholders. Lastly, managers of MVRs should select and use appropriate media to convey messages related to new service innovation activities to the target customers.

7.5.2 Recommendations based on results of secondary research objective 2

This study identified the internal and external drivers of MVRs' service innovation activities. The internal drivers of service innovation activities, are factors such as internal staff competencies, and available budget. Given that the discovery of opportunities often takes place during interactions with customers, front-line personnel must have the appropriate skills and tools for opportunity-sensing. The availability of those resources will depend on the existence of relevant organisational processes,

just as central resources need to be available for the monitoring of macro-level technological developments and market changes. The creation of a pleasant organisational culture is also important to stimulate the creativity that can lead to new service innovation ideas. However, this will require management to promote coordination and good working relationships between all departments within the organisation, and external stakeholders, such as parts suppliers.

7.5.3 Recommendations based on results of secondary research objective 3

This study uncovered that lack of buy-in in terms of the new idea by internal sales consultants, resistance to change, internal staff resistance, limited budget, franchise and franchisee agreements, competition, government legislations, competition standards set by other regulatory bodies such as the Competition Commission, difficulty in selling new ideas to customers, lack of perseverance, cultural background, age, personal bias, and poor internal communication all serve as barriers to the implementation of service innovation activities in organisations.

This study recommends that managers of MVRs should motivate and encourage staff participation in brainstorming sessions to overcome the resistance to change and internal staff resistance. This study further recommends that managers should monitor internal activities to ensure that all new service innovation activities comply with competition rules, franchisee and franchisor agreements, and government regulations, and are carried out within the allocated budget.

7.5.4 Recommendations based on results of secondary research objective 4

This study revealed that an increase in sales returns, profit, customers' enquiries, and repeat business are used to measure the influence of service innovation activities on business performance. In addition, the results revealed that feedback questionnaires are used to measure the responses related to the influence of service innovation performance in the respective organisations. Based on these results, the managers of MVRs should perform a cost-benefit analysis, and measure the sales returns after the implementation of new service innovation activities to evaluate the effectiveness of these new service innovation initiatives. In addition, this study recommends that customer feedback forms should be collected to check the influence of new service innovation activities that are being implemented on the target customers. These can be done by using questions and short interviews with customers during their visits to the MVR and will lead to more in-depth information being obtained.

7.5.5 Recommendations based on results of secondary research objective 5

This study discovered various views on the influence of economic factors, such as interest rates changes, on the effect of service innovation practices on business performance. This research found that the economy does not necessarily influence the relationship between service innovations and business performance, as during an economic recession some customers still buy expensive motor vehicles for cash, despite the fact that interest rates do influence business performance in terms of a decline in sales.

This study recommends that managers of MVRs should continuously monitor the external environmental factors, such as interest rates changes, fuel price changes, market dynamics and political instability, within the country where the organisations operate in order to plan new service innovation activities, and to make adaptations to internal activities, where necessary, to maintain a strategic fit against these externalities.

7.5.6 Recommendations based on results of secondary research objective 6

This study affirmed that service innovation practices have a positive influence on the business performance of MVRs, including both financial (profit growth/maximisation and organisational competitiveness) and non-financial business performance (organisational reputation). This study recommends that managers of MVRs should continue to search for new service innovation ideas, and further motivate internal staff to have regular brainstorming sessions on a continuous basis to generate these new ideas that could improve business performance and improve service delivery to customers.

7.5.7 Recommendations based on results of secondary research objective 7

This study discovered that environmental dynamism does not have a moderating effect on the relationship between the service innovation practices and both financial (profit growth/maximisation and organisational competitiveness) and non-financial business performance (organisational reputation) of MVRs.

This study recommends that managers should continue striving to maintain a strategy-environment fit by monitoring market changes, such as competitors' actions, changes in customers' preferences, and media usage trends, to allow them to make changes to internal activities and processes in good time. In addition, a strategy-environment

fit can be maintained by continuously updating areas of responsibility, interfaces between different functions, and a periodic re-evaluation of business activities against market changes.

7.5.8 Recommendations based on results of secondary research objective 8

This study confirmed that environmental competitiveness moderates the relationship between service innovation practices and business performance (profit growth/maximisation) such that the higher the environmental competitiveness, the stronger the relationship between service innovation and business performance (profit growth) of MVRs.

This study recommends that managers of MVRs should search for cost-effective service innovation activities and processes in an attempt to remain competitive and continue to improve business performance in a highly competitive business environment such as that of South Africa.

7.6 LIMITATIONS OF THE STUDY

There are limitations in terms of the literature review and the empirical research which are discussed below.

7.6.1 Limitations of the literature review

The following limitations of the literature review are identified:

Based on the review of the available secondary data and studies, it became clear that few research studies have been conducted in the South African MVR industry regarding the implementation of service innovation activities and the influence on business performance, which meant that the researcher had to rely mainly on previous studies conducted in other industries, sectors and other parts of the world during the literature review.

7.6.2 Limitations of the empirical research

Due to limited budget constraints, this study focused on a sample representing the three major cities of South Africa. However, with a larger budget at hand, the researcher would have been able to conduct the research on a larger scale in other cities and provinces. This implies increasing the sample size to include other cities, and increasing the representation of MVRs to South Africa as a whole, and perhaps uncovering more subtle differences between MVRs.

In addition, the results derived from this study cannot be generalised to other geographical regions, as the results of this study are limited to the three major cities of Gauteng, South Africa (which is the economic hub of the country under investigation). The results of this study are limited to the service setting of the MVR industry, and therefore, the results cannot be generalised to all service settings in diverse branches of industry.

Taking into account the above-mentioned limitations, it is possible to make a number of recommendations, which can be used for future research.

7.7 RECOMMENDATIONS FOR FUTURE RESEARCH

From the research findings, conclusions and limitations that have been discussed, the following suggestions for future research are provided:

- As the study was confined to the motor retail sector, the application of this study to other retailers and service organisations may produce different results, which could be of benefit.
- Due to the study being confined to Gauteng, South Africa, the views of persons outside the selected participants have not been considered. Future research could aim to identify more participants in other cities and provinces of South Africa, and even in other developing economies in other parts of the world. Furthermore, expanding the sample to include individual customers may yield different results.
- As age and cultural background were found to be barriers regarding the adoption of MVRs' new service innovation ideas, future quantitative research might be carried out to affirm these results.
- This study uncovered that male participants constituted the majority. Therefore, future research can aim to establish the gender parity of personnel involved in MVRs' service innovation activities, even in other sectors of the economy to establish if gender has any impact on the development of new service innovation activities.
- Future research can also be conducted using the desktop approach to investigate the content shared on online platforms to establish the innovative usage of the Internet to communicate new service innovation activities.

The next section provides the personal reflections of the researcher derived from the experiences during conducting this research.

7.8 PERSONAL REFLECTIONS

It has always been my aspiration and dream from teenage age to pursue a doctoral study, despite it being a frightening task. This journey required personal commitment, effective time management, and the sacrifice of social time in order to progress. This doctoral research project was an eye-opener and an augmented experience, as I have learnt to review a huge amount of literature on the topic of interest; learnt different research designs and methodologies; learnt to conduct academic field research with rigour; learnt to analyse data with the aid of different software packages such as Atlas.ti, SPSS and Amos; interpret raw data, discuss and make recommendations to scholars, industry practitioners; present research limitations and future research recommendations; and accept constructive criticism from my promoter.

At the end of this research project, the message to readers is that service innovation activities, as part of the competitive strategy in a retail setting, are crucial to remaining competitive and remaining sustainable, particularly, in developing economies that are characterised by high competition and constantly changing economic conditions.

The next section provides the overall conclusions of this chapter, which concludes this thesis.

7.9 CONCLUSION

This chapter concludes this thesis, which explored the field of service innovations which is an under-researched area that forms a crucial part of strategies in many organisations. This thesis addressed the following primary objectives: Firstly, it aimed to gain insight into the implementation of MVRs' service innovation practices. Secondly, it aimed to determine employees' perceptions regarding the influence of these practices on the business performance of these MVRs. Thirdly, to determine the employees' perceptions regarding the moderating role of environmental factors (environmental dynamism and environmental competitiveness) on the relationship between service innovation practices and business performance. The research results were compared with the findings of previous research studies on the topic. The research results were also used to draw conclusions and to make recommendations

for MVRs. The research study's contribution to the literature and MVRs were presented in this chapter.

From the research results it can be concluded that motor vehicle retailers experience challenges in developing and implementing effective service innovations practices, especially due to limited budgets, internal staff resistance as a result of cultural backgrounds and personal bias, and difficulty in obtaining buy-in from customers. It is suggested that regardless of these challenges, motor vehicle retailers should continue to explore new service innovation activities to improve their business performance and to remain competitive. The limitations of this study were outlined in this chapter, and future research directions were also identified. Lastly, the researcher's personal reflections on the lessons gained in conducting this study were also presented.

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APPENDICES

APPENDIX A:

ETHICAL CLEARANCE CERTIFICATE

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

RESEARCH ETHICS COMMITTEE

Tel: +27 12 420 3434
E-mail: alewyn.nel@up.ac.za

23 April 2018

Prof A Antonites
Department of Business Management

Dear Prof Antonites

The resubmission of the application for ethical clearance for the research project described below served before this committee on 19 April 2018.

Protocol No:	EMS065/18 (resubmission)
Principal researcher:	**SS Makgopa**
Research title:	The influence of service innovation practices on business performance
Student/Staff No:	14278732
Degree:	PhD (Business Management)
Supervisor/Promoter:	Prof AJ Antonites
Department:	Business Management

The decision by the committee is reflected below:

Decision:	Approved
Conditions (if applicable):	
Period of approval:	April 2018 – December 2018

The approval is subject to the researcher abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research. The approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria if action is taken beyond the approved proposal. If during the course of the research it becomes apparent that the nature and/or extent of the research deviates significantly from the original proposal, a new application for ethics clearance must be submitted for review.

We wish you success with the project.

Sincerely

pp PROF JA NEL
CHAIR: COMMITTEE FOR RESEARCH ETHICS

cc: Student Administration

APPENDIX B:

CONSENT FORM AND INTERVIEW GUIDE

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Department of Business Management

The influence of service innovation practices on business performance

Research conducted by:
PhD Business Research student

Dear Participant

You are invited to participate in an academic research study conducted by Mr Sipho Makgopa, a PhD Business Management student from the Department of Business Management at the University of Pretoria. The purpose of the study is to gain an understanding of the actual implementation of service innovation activities or practices of Motor Vehicle Retailers operating in Gauteng Province, South Africa. For more information you can conduct my study leader Professor A.J. Antonites at 012 420 3119.

Please note the following:

- This is an anonymous study as your name will not appear on the in-depth interview research notes. The answers you give will be treated as strictly confidential as you cannot be identified in person based upon the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions as honestly as possible. This interview will take 30-45 minutes of your time.
- The interview will be audio-recorded as the fieldworker could not be able to capture all information while taking notes.
- You are free to choose the date when the interview can be conducted.
- The results of the study will be used for academic purposes only and it will be published as a thesis, and may be published in an academic journal.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

_____ _____

Participant's signature **Date**

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Student : Mr Sipho Makgopa
Field of study : PhD: Business Management
Student number : 14278732
Supervisor : Prof A.J. Antonites

INTERVIEW GUIDE

1. Introduction and background questions

[NOTE: The researcher will take time to briefly introduce himself and explain the purpose for conducting this study]

- What are your organisation's main business activities? Please explain
- Who is your target market?
- Participant's job description in the company and work experience

2. Background question on competition strategy

- How does your organisation compete in the market? Please explain your answer (strategies, activities, tactics, why are you using/or not using new technologies such as communication tools, data systems media channels?)

3. Types of service innovation activities or practices

- What are the type of new service innovation practices used in your organisation to deliver the core services to customers? Please explain your answer.
- How are the mentioned service innovation activities implemented? Please explain your answer?

4. Internal and external drivers of service innovation

- What are the internal drivers or factors of service innovation in your organisation? Please explain your answer? And how do these factors influence service innovation practices in your organisation?
- What are the external drivers or factors of service innovation in your organisation? Please explain your answer? And how do these factors influence service innovation practices in your organisation?

5. Barriers or challenges hindering service innovation implementation

- What are the internal barriers/challenges you have experienced in implementing service innovation activities in your organisation? Please explain your answer.
- What are the external barriers/challenges you have experienced in implementing service innovation activities in your organisation? Please explain your answer.

6. Measures of service innovation performance

- How does your organisation measure the impact of its service innovation practices/activities on business performance? Please explain your answer in detail (Probing on financial and non-financial measures of business performance).

7. The influence of environmental factors on the relationship between service innovation activities or practices and business performance.

- What are environmental factors that can influence the relationship between service innovation and business performance? Please explain your answer

8. Any comments regarding the actual implementation of service innovation activities or practices.

- Do you have any comments on what has been discussed? Alternatively, do you have any suggestions on how the implementation of service innovation activities or programmes in your organisation should be approached going forward into the future.

Thanks for your time in participating in this study.

APPENDIX C:

CONSENT FORM AND QUESTIONNAIRE

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Department of Business Management

The influence of service innovation practices on business performance

Research conducted by:
PhD Business Research student

Dear Respondent

You are invited to participate in an academic research study conducted by Mr Sipho Makgopa, a PhD in Business Research student from the Department of Business Management at the University of Pretoria. The purpose of the study is to determine employees' perceptions regarding the influence of service innovation practices on business performance of these retailers operating in Gauteng Province, South Africa. Secondly, to determine employees' perceptions regarding the role of environmental factors on the relationship between service innovation practices and business performance. For more information you can contact my study leader Professor A.J. Antonites at 012 420 3119.

Please note the following:

- This is an anonymous survey as your name will not appear on the questionnaire. The answers you give will be treated as strictly confidential as you cannot be identified in person based upon the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions as honestly as possible. This survey should not take more than 15-20 minutes of your time.
- The results of the study will be used for academic purposes only and will be published as thesis, and may be published in an academic journal.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

_____ _____

Respondent's signature **Date**

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Department of Business Management

The influence of service innovation practices on business performance

Research conducted by:

PhD in Business Management Research: Makgopa Sipho

RESPONDENT NUMBER				

CIRCLE CODES WHEN ANSWERING

Date of survey	

SECTION A: SCREENING QUESTIONS

1. Respondent gender
(Single mention only)

Male	1
Female	2

2. Respondent race
(Single mention only)

Black	1
Coloured	2
Indian	3
White	4

3. Please indicate which letter corresponds with your age group.
(Single mention only)

d. < 18 years	1
w. 18 – 24	2
m. 25 – 34	3
t. 35 – 49	4
g. 50 +	5

4. Work experience in the Motor Vehicle Retailing
(Single mention only)

< 3 years	1
3 - 5 years	2
6 - 10	3
11 - 20	4
21 years and above	5

Note: Continue to the next page

5. Education background

I would like to know your education background with regard to your school background (Single mention only)

Grade 11 and lower	1
Grade 12 and 1-2 years' post school qualification	2
Grade 12 and 3-year post school qualification	3
Grade 12 and 4-year post school qualification	4
Not mentioned above (Please specify: _____.	5

6. Organisational Background

I would like to know your organisation's background with regard to age of your organisation. (Single mention only)

1-4 years	1
5- 10 years	2
11-20 years	3
21 years and above	4

SECTION B: SERVICE INNOVATION PRACTICES/ACTIVITIES

7. I would like to inquire about the service innovation practices of your organisation.

Indicate your level of agreement with the following statements related to service innovation practices by using the scale below and circling the appropriate number. **(Single mention only)**

Service innovation practices	Strongly disagree 1	Disagree 2	Neither agree or disagree 3	Agree 4	Strongly agree 5
Our organisation frequently tries new ideas in its service offerings	1	2	3	4	5
Our organisation is the first to introduce new service delivery methods	1	2	3	4	5
Our management seeks out new ways of doing things	1	2	3	4	5
Our organisation has creative ways of doing business	1	2	3	4	5
Our organisation is the first to introduce new services	1	2	3	4	5
Our organisation uses up-to-date technologies	1	2	3	4	5
Our organisation uses new marketing methods	1	2	3	4	5
Our organisation develops new ways of establishing relationships with customers	1	2	3	4	5
Our organisation spends resources on research and development for new services delivery processes	1	2	3	4	5
Our organisation introduces new management systems frequently	1	2	3	4	5

SECTION C: SERVICE INNOVATION PRACTICES AND BUSINESS PERFORMANCE

8. I would like to inquire about the influence of the service innovation practices of your organisation on business performance.

Indicate your level of agreement with the following statements related to the influence of service innovation practices on business performance by using the scale below and circling the appropriate number. **(Single mention only)**.

Business performance	**Strongly disagree 1**	**Disagree 2**	**Neither agree or disagree 3**	**Agree 4**	**Strongly agree 5**
Financial performance -Profit growth					
Our organisation has increased profit margin in the market due to new service innovations	1	2	3	4	5
Our organisation has increased sales growth of new service innovations	1	2	3	4	5
Our organisation has increased return on investment of new service innovation	1	2	3	4	5
Our organisation has increased market share of new service innovation	1	2	3	4	5
Financial performance-Organisational competitiveness	**Strongly disagree**	**Disagree**	**Neither agree or disagree**	**Agree**	**Strongly agree**
Our organisation has increased profit margin relative to competitors in the market	1	2	3	4	5
Our organisation has increased sales growth of new service innovations relative to competitors in the market	1	2	3	4	5
Our organisation has increased return on investment of new service innovation relative to competitors in the market	1	2	3	4	5
Our organisation has increased market share of new service innovation relative to competitors	1	2	3	4	5
Non-financial performance- Organisational reputation	**Strongly disagree 1**	**Disagree 2**	**Neither agree or disagree 3**	**Agree 4**	**Strongly agree 5**
Stakeholders admire our organisation	1	2	3	4	5
Stakeholders trust our organisation	1	2	3	4	5
Stakeholders stands behind our organisation' innovative services	1	2	3	4	5
Stakeholders are aware that our organisation maintains high standards in treating people	1	2	3	4	5
Stakeholders have good feeling about our organisation	1	2	3	4	5
Our organisation has excellent leadership that supports innovativeness	1	2	3	4	5
Stakeholders view our organisation as an organisation with strong prospects for future growth	1	2	3	4	5
Stakeholders are aware that our organisation is well managed	1	2	3	4	5
Our organisation looks like a good organisation to work for	1	2	3	4	5

SECTION D – ENVIRONMENTAL FACTORS INFLUENCE

9. I would like to inquire about the influence of environmental factors on the relationship between service innovation practices on the business performance of your organisation.

Indicate your level of agreement with the following statements related to the influence of service innovation practices on business performance by using the scale below and circling the appropriate number. **(Single mention only)**.

Environmental factors	Strongly disagree ⇨				Strongly agree
Environmental dynamism	**1**	**2**	**3**	**4**	**5**
Environmental changes in our market occur fast	1	2	3	4	5
Our customers regularly demand new service offerings	1	2	3	4	5
In our market, changes are taking place continuously	1	2	3	4	5
In the past year, our market has changed significantly due to environmental instability	1	2	3	4	5
In the past year, volumes of products` and services to be delivered to customers have changed fast and often	1	2	3	4	5
In the past year, our innovation business performance has changed due to economic instability in our market	1	2	3	4	5
Environmental competitiveness	1	2	3	4	5
Competition in our market is intense	1	2	3	4	5
Our organisation has relative strong competitors	1	2	3	4	5
Our market is characterised by strong price competition	1	2	3	4	5
Our market is characterised by tight profit margins due to competitors	1	2	3	4	5
Our market is characterised by tight cash flows due to competitors	1	2	3	4	5
In the past year, our innovation business performance has changed due to increased competition in our market	1	2	3	4	5

Thank you for taking your time in assisting us in completing this questionnaire!

APPENDIX D:

CONFIDENTIALITY AGREEMENT WITH TRANSCRIBER

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

CONFIDENTIALITY AGREEMENT

Research Title: THE INFLUENCE OF SERVICE INNOVATION PRACTICES ON BUSINESS PERFORMANCE

CONFIDENTIALITY CLAUSE

The research code of ethics mandates that confidentiality should be maintained throughout data collection, data analysis and report writing.

As a transcriber I understand that I have access to confidential information. By signing this statement, I am indicating my understanding of this responsibility and agree to the following:

- I understand that all information obtained or accessed by me in the course of my work is confidential. I agree not to disclose or divulge to unauthorised persons any of this information, unless specifically authorised to do so.
- I understand that names and any other identifying information about study sites and participants are completely confidential.
- I agree to use the data solely for the purpose stipulated by the client.
- I agree to shred any hard copies of data in my possession on completion of transcribing project. All electronic copies will be permanently deleted from the hard drive of my computer upon completion of this task.

Name of transcriber: Chantel Benade

C Benade

Signature of the transcriber 2018-10-22
Obo: ***SOUTHERN TRANSCRIPTION & RECORDING SERVICES CC***

APPENDIX E:

CONFIDENTIALITY AGREEMENT WITH STATISTICIAN

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

CONFIDENTIALITY AGREEMENT

RESEARCH TITLE: THE INFLUENCE OF SERVICE INNOVATION PRACTICES ON BUSINESS PERFORMANCE

CONFIDENTIALITY CLAUSE

The research code of ethics mandates that confidentiality should be maintained throughout data collection, data analysis and report writing.

As a statistician I understand that I have access to confidential information. By signing this statement, I am indicating my understanding of this responsibility and agree to the following:

- I understand that all information obtained or accessed by me in the course of my work is confidential. I agree not to disclose or divulge to unauthorised persons any of this information, unless specifically authorised to do so.
- I understand that names and any other identifying information about participants are completely confidential.
- I agree to use the data solely for the purpose stipulated by the client.
- I agree to shred any hard copies of data in my possession on completion of statistical analysis of this project. All electronic copies will be permanently deleted from the hard drive of my computer upon completion of this task.

Name of statistician: Anesu Kuhudzai

Date: 2018-09-20

APPENDIX F:

CONFIDENTIALITY AGREEMENT WITH EDITOR

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

CONFIDENTIALITY AGREEMENT

RESEARCH TITLE: THE INFLUENCE OF SERVICE INNOVATION PRACTICES ON BUSINESS PERFORMANCE

CONFIDENTIALITY CLAUSE

The research code of ethics mandates that confidentiality should be maintained throughout data collection, data analysis and report writing.

As an Editor I understand that I have access to confidential information. By signing this statement, I am indicating my understanding of this responsibility and agree to the following:

- I understand that all information obtained or accessed by me in the course of my work is confidential. I agree not to disclose or divulge to unauthorised persons any of this information, unless specifically authorised to do so.
- I understand that names and any other identifying information about study sites and participants are completely confidential.
- I agree to use the data solely for the purpose stipulated by the client.
- I agree to shred any hard copies of data in my possession on completion of editing and formatting of this research project. All electronic copies will be permanently deleted from the hard drive of my computer upon completion of this task.

Name of Editor: Retha Burger

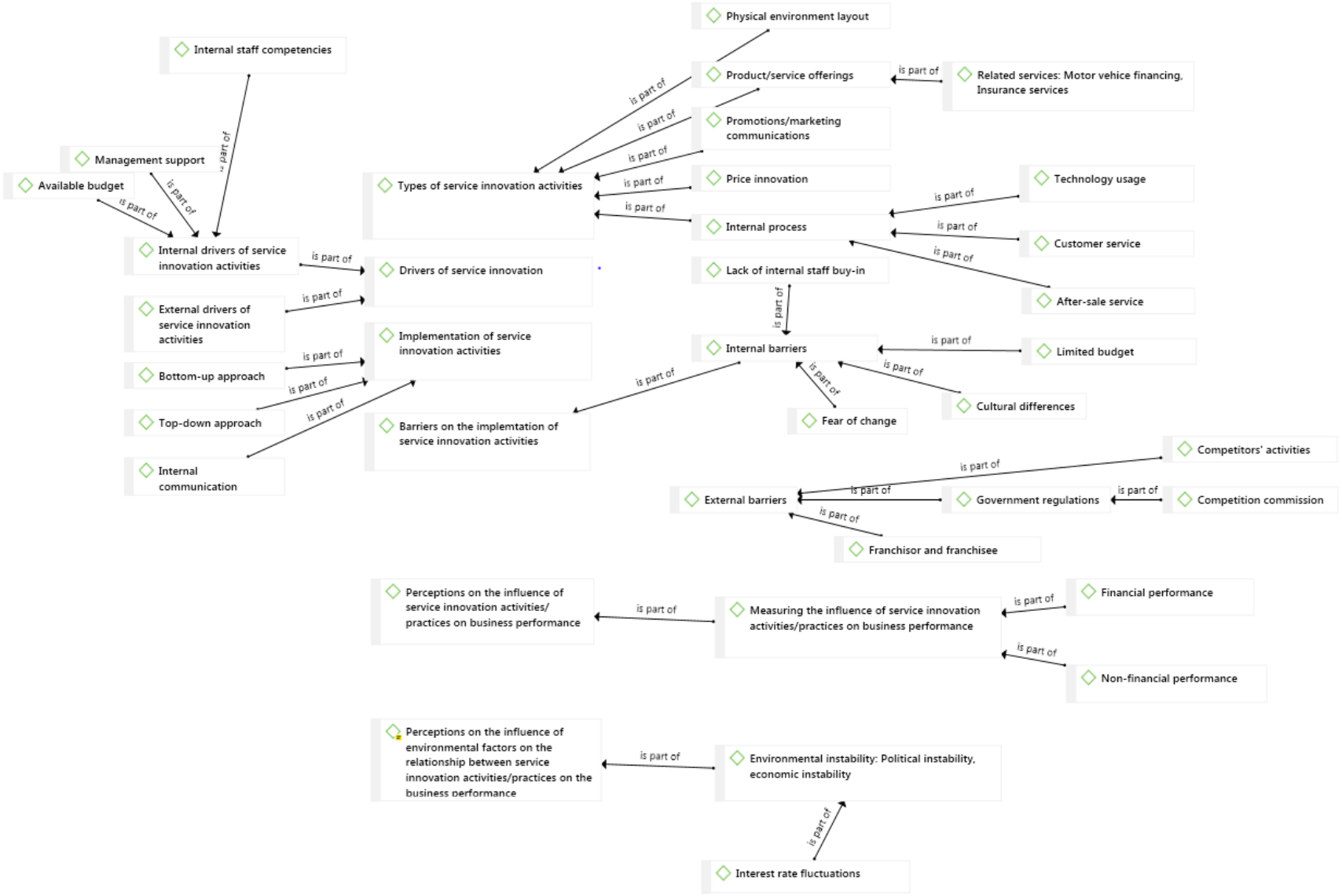
Signature of the Editor

29 September 2019

Date:

APPENDIX G:
NETWORK OF THEMES

NETWORK OF THEMES



APPENDIX H:

CORRELATION RESULTS OF ALL VARIABLES

		Profit_Growth	Organisational_Competitiveness	Environmental_Competitiveness	Environmental Dynamism	Service_Innovation	Organisational_Reputation
Profit_Growth	Pearson Correlation	1	.513**	.173**	-.104	.183**	-.019
	Sig. (2-tailed)		.000	.004	.088	.003	.753
	N	268	268	268	268	268	268
Organisational_Competitiveness	Pearson Correlation	.513**	1	.128*	-.003	.174**	-.053
	Sig. (2-tailed)	.000		.036	.965	.004	.387
	N	268	268	268	268	268	268
Environmental_Competitiveness	Pearson Correlation	.173**	.128*	1	.329**	.151*	-.068
	Sig. (2-tailed)	.004	.036		.000	.013	.265
	N	268	268	268	268	268	268
Environmental Dynamism	Pearson Correlation	-.104	-.003	.329**	1	-.026	-.016
	Sig. (2-tailed)	.088	.965	.000		.677	.790
	N	268	268	268	268	268	268
Service_Innovation	Pearson Correlation	.183**	.174**	.151*	-.026	1	.127*
	Sig. (2-tailed)	.003	.004	.013	.677		.037
	N	268	268	268	268	268	268
Organisational_Reputation	Pearson Correlation	-.019	-.053	-.068	-.016	.127*	1
	Sig. (2-tailed)	.753	.387	.265	.790	.037	
	N	268	268	268	268	268	268

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

APPENDIX I:

DECLARATION OF PROFESSIONAL EDIT

Retha Burger
B.A.(H.E.D.)
tel : 012 807 3864
cell : 083 653 5255
fax : 012 807 3864
e-mail : retha@skillnet.co.za
Independent Skills Development Facilitator

Dear Mr Makgopa

This letter is to record that I have completed a language edit of your PhD thesis entitled "The influence of service innovation practices on business performance".

The edit that I carried out included the following:

-Spelling -Grammar
-Vocabulary -Punctuation
-Pronoun matches -Word usage
-Sentence structure -Correct acronyms (matching your supplied list)
-Captions and labels for figures and tables
-Spot checking of 10 references

The edit that I carried out excluded the following:

-Content
-Correctness or truth of information (unless obvious)
-Correctness/spelling of specific technical terms and words (unless obvious)
-Correctness/spelling of unfamiliar names and proper nouns (unless obvious)
-Correctness of specific formulae or symbols, or illustrations.

Yours sincerely

Retha Burger

19 November 2019