How Small Companies Generate Ideas for New Services

Patrik Gottfridsson
Service Research Center - CTF
Karlstad University
SE-651 88 Karlstad, Sweden
E-mail: patrik.gottfridsson@kau.se, Phone: +46 54 700 1729

Abstract

Although conventional models of successful service development suggest that the generation of ideas for new services should be made in a formal and structured way, it is unclear whether most service development really is conducted in this way, and whether these formal models might merely represent theoretical structures that have been retrospectively imposed on the actual process. The present study therefore presents the findings from in-depth case studies of service development in eleven small Swedish companies. The study concludes that new ideas in such firms rarely emerge from a formal systematic process. The most important sources of inspiration for such new ideas are outside the company. It is therefore important that individuals involved in the generation of ideas maintain an open mind to the possibility of receiving inspiration from unexpected sources, including from people whose skills and knowledge are in other fields of business activity.

Key words: small companies, service development, marketing

1. Introduction

In early research about new service development it has been claimed that successful service development requires a formal structure for the generation of ideas for new services (Edgett, 1996: Johne, 1994; de Brentani, 1991). For example, Iwamura and Jog (1991), who studied service development in the financial sector, reported that the successful companies were those that did utilise such formal structured processes for the generation of new ideas. However, despite this empirical evidence and the inherent theoretical appeal of formal processes for idea generation, it would seem that it is actually rather rare for such formal processes to be utilised in service development in the real world (Easingwood, 1986; Bowers 1988, 1989). Indeed, according Sundbo (1997), most of an organisation's ideas for the creation of new services or the development of existing services are randomly generated from a variety of organisational stakeholders.

According to Schulze and Hoegl (2008) does the idea generation not follow processes that formalized and structured in the organization. Dofsma (2004) describes the service development process as ad-hoc an integrated in the service firms day-to-day activities. The phase is largely unstructured and individuals are not formally allocated to specific tasks or 'idea generation projects' (Schulze and Hoegl, 2008). They are instead often voluntaries or self selected based on their interest and connections to other actors (Schulze and Hoegl, 2008). Referring to a number of other researchers, Schulze and Hoegl (2009) states that informal and face-to-face interaction between different individuals is an important part of generating new ideas. As a consequence of this it is in today's world unlikely that comprehensive new product ideas are developed by a single person alone, rather, a number of people are involved. Based on this innovations are recognized to involve more complex and disorderly interactive processes (Fischer, 1999) and some time even a network activity (Sorensen et al.2010). But just how new ideas are effectively generated still remains an issue of high relevance for both management scholars and practitioners.

The question how new ideas are effectively generated in new service development are even more relevant in the case of smaller companies. In 1998, Hoffman stated that how small companies develop services and create innovation is unclear. What we know according to Hoffman is that small companies not necessarily act following structured processes. Because many small companies are under the control of one person, the owner–manager, whose personality and skills largely determine how the firm is run (Sweeney, 1987: Burns, 1996: Storey & Sykes, 1996), it is likely the personal characteristics of the dominant individual will also have a significant influence on the way in which service development is conducted in such companies. In addition, small companies commonly exhibit greater closeness and informality among major stakeholders (managers, employees, and customers) than is the case in larger firms (Rothwell and Zegveld, 1982; Rothwell, 1983), which facilitates flexibility and informality in the conduct of business in general and the generation of new ideas in particular.

It is therefore reasonable to conjecture that smaller organisations are more likely to work in informal and unstructured ways when it comes to developing new services. Even though Hoffamn's statement was made in 1998, it is still true that we know very little about how small companies generate ideas and develop new services. To investigate this issue, the present study examines how ideas for new services are actually generated in small companies by undertaking an in-depth qualitative analysis of eleven small Swedish firms involved in a variety of service sectors.

The remainder of the paper is structured as follows. The next section presents a review of the relevant literature to establish the theoretical foundations for the study. The methodology of the empirical study is then described. The findings of the study are then presented and discussed, thus providing a description of how service development actually proceeded in the small companies examined here. The paper concludes with a summary of the main findings in the context of the existing research in the field.

2. Theoretical Framework

2.1 Dialogue and interaction in the genesis of ideas

Although the emergence of most new ideas is ostensibly characterised by suddenness and intuition, with many giving the impression of being the work of single individuals, closer examination reveals that most ideas do not arise spontaneously; rather, they emerge from a complex process involving a variety of overt and covert influences (Schulze and Hoegl, 2008; Leonard and Sensiper, 1998). Central to this process are the formal and informal meetings of various stakeholders (such as competitors, colleagues, and clients) in which the knowledge and experience of various players are exchanged and creatively challenged, thus generating ideas and suggestions for new services (Brown and Duguid, 1998).

The recognition that many new ideas are created in dialogue between individuals emphasises the key role played by social interaction in the process of new service development. This was characterised by Leonard and Sensiper (1998, p. 116) in the following terms:

> … this social interaction is especially critical for teams of individuals responsible for delivering new products, services, and organizational processes.

However, despite the acknowledged importance of interaction in this process, Tang (1998) has contended that the individual remains significant because a definitive idea emerges only if there is someone with the motivation and capacity to gather disparate suggestions and do something with them. Important actors in this phase are said to include both the customers (Pitta & Franzak 1996; Von Hippel et al. 1999; Herstatt & Von Hippel 1992; Berry & Hensel 1973) and the frontline staff (Edvardsson et al. 2000; Sundbo 1997; 1998). This is also confirmed by Schilling and Werr (2009) who in their literature study about how to create successful innovations listed the management of customer relations and the companies own personnel as critical factors. They also highlight the importance of managing networks of relations as well as the importance of cross-functional involvement. Although many authors have contended that the idea-generating process should be conducted in a structured and formal way (Edgett 1996; Johne 1994; de Brentani 1991; Iwamura & Jog 1991), the reality is that the generation of ideas is seldom conducted in this manner (Easingwood 1986; Bowers 1988; 1989). In particular, there is evidence that ideas are seldom formally generated by customers and/or frontline staff; rather, most ideas appear to come from competitors and/or from complex internal processes within the company (Edvardsson et al. 2000; Sundbo 1997; 1998). Indeed, as Smith and Fischbacher (2005) have observed, it is often difficult to establish exactly where a particular idea has actually come from, with most ideas apparently being generated from various encounters between a variety of actors with different kinds of knowledge and perspectives.

2.2 Sources of ideas

Even if it is accepted that the generation of a given idea is a complex process in which there is seldom a single individual who is solely responsible for its genesis, it remains possible to identify various groups of actors who, for various reasons, might be presumed to have greater potential than others to create powerful ideas. Schulze and Hoegl (2008) argues based on their literature studies that innovative ideas can result from the interaction between Research and Development and marketing personnel, cross-function interaction within the company, buyer and seller relations, and interactions with customers.The importance of having a 'customer perspective' when developing services has long been recognised (Berry and Hensel, 1973). As Grönroos (1990) noted, all services should essentially be solutions to customer needs and problems.

To understand consumer preferences and thus create services that customers value, it is appropriate (and perhaps even necessary) to involve appropriate customers in the development process (Matthing, 2004; Magnusson et al., 2003). As Edvardsson (1997, p. 33) observed: *"Attractive and customer-friendly services emerge from a dialogue with competent and demanding customers"*.

Such "competent and demanding customers" can utilise their experience and insights to contribute important knowledge to service development (Pitta and Franzak, 1996). These customers, who have also been referred to as 'lead users' (von Hippel et al., 1999; Herstatt and von Hippel, 1992), have the capacity to provide a solid grounding for new service development by demanding advanced services that are appropriate to their needs. Other more recent research that highlights the importance of customer involvement are Kristensson *et al*. (2002); Abramovici & Bancel-Charensol (2004); Kristensson et al. (2004); Björkman (2004; 2005); Alam, 2006; Kristensson *et al*. (2008). Another way of accessing knowledge of the customer's needs and wants is to utilise the knowledge that already exists in the organisation. In this regard, experienced front-line staff members often possess valuable knowledge about specific customers' business needs, and can thus serve as important generators of ideas for service development (Atuahene-Gima, 1996). Ramirez (2004) concludes that involving employess from customer service as well as a broader group of employees could be vital for the outcome of the service development process. A conclusion in the same direction has also been drawn by deBrentani (2001).

In some cases, experienced front-line employees do play an important role in the process of generating ideas; however, there is evidence that they do not generally constitute as rich a source of ideas as they could (Edvardsson et al., 2000). There are several potential reasons for this. First, employees who could come up with ideas and suggestions are often preoccupied with their daily service operations and do not have the time to engage in developing ideas (Edvardsson et al., 2000). Secondly, the information that such employees have is sometimes too fragmentary, sketchy, and context-dependent to provide a basis for definitive ideas (Nonaka and Takeuchi, 1995). Finally, the absence of structured idea-generating processes in the organisation might hinder some employees from making constructive suggestions for new services (Edvardsson et al., 2000).

2.3 The Management of Knowledge for New Ideas

According to Schilling and Werr (2009) one important aspect of being an innovative and development oriented organization is the ability to manage and create knowledge which results in new ideas for service offerings. In similar vein Hargadon (1998) describes innovations as knowledge transfers processes. The basic idea behind Hargadons (1998) model is that different forms of knowledge are transformed in order to create the new service offerings. One important part of Hargadon's (1998) innovation process is to create access to different kind of knowledge. In this phase it is important to expose the organisation and the employees in the organisation to a wide range of other organisations and people.

Another closely related area is to se service development as a knowledge creation process. Nonaka (1994) express the matter in the following way: *"innovation can be better understood as a process in which the organiszation creates and defines problems and then actively develops new knowledge to solve them"* (Nonaka, 1994 p. 14). Nonaka (1994) presents a model for knowledge creation that in some aspects shows similarities to organisational learning as it is discussed above. The basic assumption behind this knowledge creation is that a major part of the knowledge held by individuals is of a tacit nature, meaning that a person has a lot of knowledge that we cannot express in terms words and numbers. According to Nonaka (1994) knowledge is created through conversion between tacit and explicit knowledge. The model consists of four phases in which tacit knowledge are shared between individuals by a process called socialisation. In the next step the tacit knowledge are transformed to explicit knowledge in a process called externalisation. This externalised tacit knowledge is then combined with other explicit pieces of knowledge. This is done by different means of communication between individuals. The fourth phase is the internalisation in which the explicit knowledge is retransferred to become a person's individual tacit knowledge.

Just as cooperative interaction among various actors has been posited as vital to a successful service offering (Grönroos 1990), such collaboration is essential to the service-development process itself (Johne & Storey 1998; Syson and Perks 2004). Indeed, Schilling and Werr (2009) have contended that successful innovative service firms must see themselves as part of an *innovation network* in which they interact to exchange resources, knowledge, and ideas with various actors in their environment, such as customers and innovation partners. To manage such a network, these various actors must be involved in a way that facilitates communication and creates a climate in which actors feel motivated to contribute and be creative.

In a similar vein, Stevens and Dimitriadis (2004, p. 1075) have described the process of new service development as:

> … a cooperative, interactive, [but] not very formalized process involving actors from different departments of the company … [whereby] the organisational structure, the communication networks, and the working processes are transformed …

3. Methodology

3.1 Research framework and definitions

To investigate how smaller enterprises develop new services, the present study undertook a qualitative analysis of a relatively small number of Swedish enterprises (11 firms) over a relatively long period of time (18 months). In choosing the eleven companies, the aim was to obtain information-rich data in accordance with Patton's (1990, p. 169) recommendation that subjects should be selected "… from which one can learn a great deal about issues of central importance to the purpose of the research". For the purposes of this study, a small company was defined by a combination of quantitative and qualitative criteria: (i) an enterprise with fewer than 49 employees, which thus included so-called 'micro enterprises' (fewer than 10 employees) (Burns, 1996); and (ii) a company controlled by the owner and not part of a larger enterprise (Bolton, 1971).

The study chose to examine *personalised services*. A 'service' was defined in accordance with the suggestion of Grönroos (1990, p. 27):

> A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interaction between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.

A 'personalised' service was understood to be a service that was individually designed to address a customer's specific problem and created by utilising the skills and abilities of employees in interaction with the customer (Sundbo, 1997). The concept of 'service development' used in this study encompassed the development of new services and/or the redesign and refinement of existing services. This included all activities from when an idea for a new/refined service first materialised until when the new/modified service reached the market (Edvardsson et al., 2000).

3.2 Sample and data collection

Table I provides a summary of the eleven small Swedish businesses that were chosen for inclusion in the study in accordance with the criteria noted above. All the companies are situated in the middle of Sweden.

Table I: Summary of the studied companies

	No. of employees	Starting year	Type of service
The Language and Cultural company	Approx. 10	Early in 1990:ies	Individually designed language and cultural service for international companies
The Data Programming company	Approx. 10	1988	Individual designed computer software, and customer made information technology solutions
The Computer System company	35	1992	Customer made information technology solutions
The Web design company	1	1999	Customer made web- and communication solutions
The Slum-clearance company	Approx. 25	1996	Slum-clearance and sanitations solutions for industrial companies
The Electronic company	45	End of 1980ies	Individual designed computer software, and customer made information technology solutions
The Conference company	Approx. 5	1999	Individual designed solution for education and conferences
The Branding company	Approx. 25	1990	Branding and advertising agency
The Media company	Approx 10	1998	Web-based branding and advertising agency
The Education company	Approx. 10	1993	Individual designed solution for education, mostly in the information technology area
The Milieu company	14	1987	Slum-clearance and sanitations solutions for industrial companies

Data were collected by interview. Three interviews were conducted with the owner–manager of each firm over a period of 18 months. Between the interviews, contact was made with the interviewees (by email and telephone) to monitor their progress, clarify any unclear issues arising from the interviews, and determine a time for the next interview. The interviews were semi-structured to allow for flexibility with regard to questions and to provide respondents with the scope to explain their views more freely. Interview protocols were used to ensure that consistent data analysis was possible across all interviews (Yin, 1994). The interviews were recorded and transcribed. The data were then submitted to open coding based on the respondents' own words (Miles and Huberman, 2004). This open coding was then abstracted to a higher level of categories, which described the way in which the development task was undertaken.

4. Findings and Discussion

4.1 General findings

Between the companies involved in the study, there is great variation of how the ideas for new service development emerge. The difficulty in capturing and describing how ideas are generated depends also on the existence of a clear and visualized idea as the starting point for the development process. In some cases there is a clear idea about the new service to be developed, while in other cases it is impossible to identify such clear idea, since the new service successively is built up by minor re-engineering of existing services, or incur as a result of a more strategic recognition that the company should develop certain activities.

Although there are differences between how ideas emerge, there is none of the companies that work in a structured or formal way to generate ideas. Also the process of evaluating and selecting which ideas the company should work on tend to take place in an informal way. The selection is done without specific and explicit criteria of decision, at least seen form an outside perspective. One reason for the absence of more formal processes is that in most studied companies there are more ideas than they can handle in a good way, and therefore there is no need to generate additional ideas. To provide an encompassing picture of the origin of ideas, we note that most of the companies surveyed have a variety of sources from which they have ideas or suggestions for new services. Generally, however, said that the main inspiration for the ideas come from sources outside the company. The very ideas are often the result of complex processes that take place in single individuals, or generated in the interplay between different individuals. This can be seen in the description given by the manager of the Language and Cultural Company:

> "…*my colleague went on a distance learning course … later on I met a real enthusiast interested in distance learning and she asked me to help her develop a course in technical English… from this came the idea that, using a web camera and a microphone, we would be able to do this. Because I've heard from other friends, there was a guy at a course I held who told me about this technology of a webcam and a microphone, which he uses to communicate with his son in the US. This is the way ideas occur, through the minor influences of a number of actors which eventually add up to the solution to the problem*"

From this study one can easily establish that the companies' owner-manager is the most important actor for the creation of ideas. The inspiration to the new ideas the owner manager often gets by being in different environments and to have an open attitude when being there.

Some of the more innovative business leaders tend to constantly seek new challenges and have an open approach to the environment and the actors in this, which means that they constant get influences to new ideas about how the company's activities could be developed. This situation is obvious for example in the Language and Cultural Company in which it is the owner-manager who dominate the idea generation. In order to get as many impressions and ideas as possible, the owner-manager is often meeting different actors, and she tries in general to have an open way of relating to others. She is also active in different business organizations and networks in order to receive various forms of contacts that can provide new kinds of services. Another example of the importance of the owner-manager is to be found in the Media Agency, which is as the owner-manager describes it more an artistic company. The company's goal is to be a creative company that is dedicated to as owner-managers himself puts it, exciting solutions to customer's problems. The ideas are almost exclusively from the owner- manager himself, who is the great creator and idea generator in the company, as the following statement from him shows:

"…and then, the idea that I stand for in the company is quite a big part then. The ideas come within seconds. I am like this, in order to shoot from the hip. "

Some other examples where the owner-managers are the one generating new ideas includes, among others, the Milieu Company, Web Design Company and the Conference Company. Also in these companies the owner-managers is very open to their surroundings where they constantly are looking for new impressions in order to further develop their services. Some of these contacts have been business contacts, but also more socially related contacts have contributed in different ways. A clear example of this can be seen in the context a service that recently was developed in the Language and Cultural Company. In this case the idea came from one of the owner-managers personal contacts who also are engaged in educational activities. By the way this person designed and carried out various educational moments the owner-manager of the Language and Cultural Company found ways to organize a service the company previously had difficulties in forming. Another example in which various forms of external contacts are important in creating ideas is in the Web Company, where the manager retrieves a large part of the inspiration for the company's new services by various external contacts:

"I was at a fair and created a few contacts with companies in the business that are interested in my competence. This is exactly what I needs, one such meeting to get more contacts. It leads to ideas in the same way as the contact gives you ideas."

A similar example is the Conference Company where the manager is more active looking for new inspiration and new ideas by studying other similar facilities and the services offered there

"I try of course to read what I find and to look on, I do study visits and talks with people who work with conferences, and how they arrange things, what they think that the customers want to have. It is very interesting that, yes to get impressions."

These examples shows that the idea process in some cases can be constructed by a complex interaction between various actors, stimulus and experiences, who will start the process. Some companies are looking for very wide contacts in totally unrelated areas in order to be inspired by very different stimulus than those that exist within the context in which it operates within. To constantly be involved in different contacts and have a general openness mean the owner-manager of the Language and Cultural Company is a:

"... general approach to life, that results in that you never know when something golden drops down in your lap…"

Based on this the ideas seen to be the result of a complex process in which a variety of circumstances in different ways influence. They have a way of letting themselves be influenced of different stimuli. Considering that the ideas are generated by an open way of relating to the environment and getting stimulus from many different actors it is, in some cases, difficult to assess where the ideas really comes form, if it is from the external actors, or if the ideas already exist within the company and are catalyzed in the meeting with different actors. This indicates that different events and signals originating from the company's environment acted, in many cases, as the trigger for the innovation process. This is in line with Stevens and Dimitriadis (2005a, b) who argue that the learning activity during this phase consists of interpreting the environment on the basis of day-to-day interactions with actors, both inside and outside the company. This interpretation is made by individuals and the importance of these individuals needs to be emphasised because it is only individuals who can identify and interpret the different kinds of external influences (Tang, 1998). The importance of the individual actor is highlighted in the figure by stating that, at the centre of this development process, there is an innovative and development-oriented individual. Besides interpreting the influences and initiating the development work, this innovative and development-oriented individual is also important in the sense that his or her competence is being developed. The main implication of this observation is that an important element when creatively generating ideas is the individual having an open mind, and being stimulated by other individuals, in addition to being sensitive to skills and knowledge in other business fields.

When it comes to the more general picture in the service research about the workers' role in generating ideas the research shows that the employees only to a small extent contributes with concrete ideas (Edvardsson et al., 2000 and Nonaka and Takeuchi, 1994). One reason for this is that the employees who could come up with ideas and suggestions often get stuck in the daily operation and do not get the space needed to engage in developing ideas. Another reason which makes it difficult for employees to make concrete ideas is that the information and the knowledge that employees have is in some cases to fragmentary, sketchy and sometimes context dependent to function as a basis for concrete ideas (Nonaka and Takeuchi, 1995). Other reasons for lack of ideas and suggestions from the employees could according to Edvardsson et al. (2000) be the absence of more formal idea-generating processes that help employees to make suggestions for new services.

In the here studied companies the existence of ideas from the employees seems to be more extensive especially when it is about ideas linked to the existing services and how these services can be improved in order to create solutions to specific customer problems. On the other hand when it was about more innovative or more strategic service developments it was more seldom based on ideas from employees. In these cases it was the owner-manager, or a group of actors that together with the owner-manager who was the creator of the ideas. One example is the Slum-Clearance Company in which the vast majority of ideas about how the company's services can be developed from the employees. This is described by the owner-manager in following way:

Another company in which employees play an important role for creating the ideas is the Training Company where the employees through their close customer contact get practical oriented ideas how to develop the companies services and create new ones to match the customers need. The owner-manager describes that the ideas for the development of the company's services are usually brought by some of the staff members and presented for the other employees within the company. The idea is then picked up by somebody else in the company who think they can develop it further and shape it into a finished service. The one who does this is not necessarily the same one that once brought the idea, but could be someone who has special knowledge or interest in the field the service concern. That the employees represent an important part of the idea generation is seen, at least to some degree in the Milieu Company, the Branding Company and the Computer Systems Company.

One reason for the employees more prominent and more active role could be a result of the higher degree of closeness that tends to exist in smaller companies between the different parts of the organization and between the management level and the employees (Rothwell and Zegveld, 1982, Rothwell, 1983). By this closeness the employees get a greater opportunity to both now more about the business in general as well as getting attention for the ideas they have. Furthermore, it is not only a communicative closeness that affects, in addition the closeness and the involvement in the business in general could make the employees more engaged and interested in developing the company's operations. Closeness and participation offers in these cases incitement for the employees to contribute.

The customer's role in the idea process is more indirect, in the sense that they seldom comes with concrete ideas but their existence functions as an indirect provider of ideas since the companies tries to find solutions to their demands. Many of the studied companies point out that it is important to have the customer and theirs needs in the forefront when they develop services. The customers' problems and preferences are the fundaments in the idea generation process. This is in line with Sundbo (1997, 1998) who argues that customers more serves as inspiration that come with vague ideas and needs, yet as practical innovator.

An example, where the client's specific problem plays a significant role as a catalyst for new ideas is the Slum-clearance Company. In some cases, the ideas raised by the company's staff has been out and done other work with customers and discovered problems and needs of the customer itself yet to be discovered:

"… we often come up with proposals about other things than the task we are there to do, but we see it, notes it and give suggestions about solutions. We care about the customers which creates new needs and ideas."

Even if it is the company itself that have generated the ideas, the owner-manager points out that
It is important to involve the customer:

"…of course it is clear that ideas coming from the customer become better actually… and the customer has a totally different sharing, they feel important…"

In other cases is the customer more active, in the way that they have more specific and articulated problems with which the company helps them to create solution for. This is something that is expressed by the Slum-clearance company:

"…often they call us with new problems just because they think that we could fix it"

The Web Company points out if the ideas in some ways could be connected to the customers and their needs and wants the idea seems to more fruitful than ideas that are generated internally in the company.

"…if the idea comes from the customers, than you have made it easier to sell in the ideas to new customers…"

Further on the owner-manager points out that the customers have a lot of ideas if the company tries to focus on the customer and their needs:

"… if you are keenly aware so dare I say that is quite often, if one really listens."

Similar circumstances in which the customer plays an indirect role as inspirer is also evident in the Language and Cultural Company, in which the owner-manager through her daily contacts with customers get ideas for new services. Even more indirect way of using the customers could be found in the Web Design Company. In this case the company knows its customers' operations and needs, rather than by specific customer interactions and customer problems. One way to describe the situation is that the ideas can be seen as arising internally in the company based on the customer needs which the co-workers have identified in their meetings with various customers.

> ”… one sees that it is something that the customer needs and then you think that this must you do something of.”

Another example of client involvement in the idea process could be seen in the Branding Company. Among the company's customers there are a number of customers that the company has deeper relations with. During their close interaction they detect needs that the customers may not yet have recognized or have the ability to articulate. This can be described as follows by the manager of the Branding Company:

”… we have very close relationships with some customers, with which we have meetings every week on management level. In these meeting ideas turns up like imagine if… automatically you start to think how can we make something from this? Can we offer the service in some way, can we take in somebody who does this, can we re-package in our business making the customers feels that we have solved their problems, how amazing?”

A further condition is that the ideas come as a result of technological developments that occur on the field which makes it possible to create new solutions to customer's problem.

Such a situation is reflected for example by the owner-manager in the Data Programming Company:

”we have been working a long time in the business since 1969, we have a certain feeling for how it should be, besides this we are very interested in technology which makes us follow the development. --- We have to work with the latest technology, use it as soon as possible, otherwise it becomes out of date quickly … we have to handle the technology in a good way.”

The Similar situation is also evident in other computer and communications companies (the Media Company and the Electronics Company).

Even if it could be seen as a more general conclusion that it is important for the companies have an open-mind, there are however differences between how this is done and to which contexts in which they look for inspiration for their ideas. Some companies are working more broadly to have contacts in entirely different areas and be inspired by experiences that are far out from the businesses they are normally operating in. One result of this more broad-minded search for inspiration is leading to ideas solutions that are more innovative (Leonard and Sensiper 1998). The upcoming of ideas can, based on this perspective, be described as the result of a process in which different experiences and knowledge meets and are linked together to ideas about new services (Leonard and Sensiper, 1998).Other companies are more limited in their search and stay more within its existing niche to generate new ideas, which leads to ideas that are more equal to existing services and less innovative. These differences in the way of working to generate ideas can be compared with Sundbo (1998) who argue that scope and design of how the ideas are generated largely depends on the companies' service development strategy. In those cases where the company has a more aggressive approach idea phase tends to include a more extensive information collection work with more actors (functions) within the company tend to be involved (Sundbo, 1998). In this study it was observed that some of the studied companies show a more active behaviour with more involvement of different actors in and around the company, but also by searching for inspiration from entirely different business contexts than the company usually operates within.

5. Conclusions

It is apparent that the generation of ideas for new service development within the small Swedish companies examined here seldom resulted from a formal systematic process. The ideas usually arose as a result of a complex process involving interactions between various individuals. In many instances, it seems that the most important of these interactions occurred outside the company. It was therefore important for the creative generation of ideas that individuals (especially owner–managers) maintained an open mind with regard to the possibility of being stimulated by a variety of individuals, including those whose skills and knowledge are derived from other business fields.

The individuals who were most prominent in generating new ideas for service development were the owner–managers of the sample firms. These strong owner–managers actively controlled all aspects of their businesses—including the continuous development of novel ideas for new services that they could offer their customers. Although management was clearly the dominant force in generating new ideas, the employees were also significant contributors in this process. Most of the ideas that employees contributed were related to the operational aspects of the business and how existing services could be developed to satisfy the needs of individual customers.

In contrast to roles played by management and employees, there was little evidence of customer participation in the generation of new ideas. In only a few instances did customers make any direct contribution to an idea that the company used as a basis to develop a new service. The customer's role in generating ideas was usually more indirect—in that the customer's problems (or the customer's business in general) provided a stimulus for a new service or the development of an existing service. However, even if the customers did not directly contribute distinct ideas, they were nonetheless important in the process. Virtually all of the sample companies stated that it was essential to keep the customer's needs firmly in the foreground in the development of any new service. Conclusions - How do new ideas regarding service development arise?

To summarize how the ideas to service development arise within the companies it could be established that it is extremely seldom that they result from the formal selection of ideas or from a systematic selection process. The mechanism underlying the selection process is exceedingly difficult to apprehend and describe because the ideas are often the result of complex and interrelated processes that take place within the individual or are created from the interaction between several individuals. However, the evidence indicates that the most important sources of inspiration for the ideas derive primarily from outside the company. The main implication from this observation is that an important element for the creative generation of ideas is for individuals to have an open mind, which promotes freedom of expression. Further, two other important elements in generating original or productive ideas concern being stimulated by other individuals and sensitive to the skills and knowledge from other business fields.

At the companies under study here, the ideas for service development were very seldom the result of either the formal selection of ideas or a systematic selection process. The mechanism underlying the selection process is exceedingly difficult to comprehend and describe because ideas are often the result of complex and interrelated processes which take place within the individual or are created by interaction between several individuals. However, the evidence indicates that the most important sources of inspiration for ideas primarily derive from outside the company. Even if it is sometimes difficult to establish from where ideas originate, the conclusion to be drawn is that, in most cases, ideas are generated as a result of the encounters between different actors possessing various kinds of knowledge of, and perspectives on, the business being run (Smith and Fischbacher, 2005).

The persons who proved to be the individuals that most distinctly generated fertile ideas were the company's owner-manager in that these were the persons that produced most of the new ideas. Some of the enterprises in this study could be best characterized by the existence of strong owner-managers who actively sought different ways to develop the enterprises' business. This initiative on the part of the managers resulted in the continuous development of rich and novel ideas about different types of new service that the company could offer its customers. For the company management, an open mind toward their surrounding conditions is extremely important in that they often received inspiration as to how they could develop the company's services by being in contact with different surroundings.

Although management was found to be the dominating force when it came to generating new ideas in the companies, the employees were also highly important contributors in this process. Most of the ideas that employees contributed with were related to the operative aspects of the business and on how the company's services could be developed to better satisfy the needs of the individual customer. In sharp contrast to the idea process of management and employees, the customer's participation in the process was not evident. In only a few cases did customer involvement directly contribute to the completion of an idea that the company could use as a basis to develop a new service. The customer's role in generating ideas was more indirect in the sense that the customer's problems or the customer's business in general served as the stimulus for some other actor's development of a fresh suggestion for a completely new service or a proposal for the further development of an existing service.

Even if the customer did not contribute with concrete ideas in a distinct and distinguishable manner, their presence in the process is important in that most companies pointed out that it was essential to have the customer and their needs in the foreground when the company develops services.

References

Abramovici M and Bancel-Charensol L (2004) How to take customers into consideration in service innovation projects. *Service Industries Journal*, *24 (1):56-78.*

Akamavi RK (2005) A research agenda for investigation of product innovation in the financial services sector. *Journal of Services Marketing* 19(6): 359–378.

Alam I (2006) Removing the fuzzyness from the fuzzy front-end of service innovations trough customer interaction. *Industrial Marketing Management*, 35: 468-480.

Berry LL and Hensel JS (1973) Why some new bank products fail. *Bankers Monthly Magazine* July 15: 26-40.

Björkman, H (2004) Design dialogue groups as a source of innovation: factors behind group creativity. *Creativity and Innovation Management*, *13(2): 97-108.*

Björkman H (2005) *Learning from members. Tools for strategic positioning and service innovation in trade unions.* Stockholm School of Economics, EFI.

Bolton JE Robbins ELG Tew JHB and Tindale LVD (1971) *Small Firms: report of the committee on small firms.* Her Majesty's Stationary Office: London.

Bowers MR (1988) Developing market-driven insurance products: A suggested model. *Journal of Professional Services Marketing* 3 (¾):161-173.

Bowers M.R. (1989) Developing new services: improving the process makes it better *The Journal of Services Marketing* 3 (1 Winter): 15-20.

Brown JS and Duguid P(1998) Organizing knowledge. *California Management Review* 40 (3 spring).

Burns P (1996) The significance of small firms In: Burns P and Dewhurst J (ed) (1996) *Small business and entrepreneurship* (2nd ed). Macmillan Business: London.

de Brentani U (1991) Success factors in developing new business services. *European Journal of Marketing* 25 (2): 33-59.

de Brentani U (2001) Innovative versus incremental new business services: different keys for achieving success. *Journal of Product Innovation Management,* Vol. 18, pp. 169-187.

Dolfsma W (2004) The process of new service development - issues of formalization and appropriability. *International Journal of Innovation Management*, *8(3): 319-337.*

Easingwood C (1986) New product development for service companies. *Journal of Product Innovation Management* 3 (4): 264-275.

Edgett S (1996) The new product development process for commercial financial services. *Industrial Marketing Management* 25: 507-515.

Edvardsson B (1997) Quality in new service development: key concepts and a frame of reference. *International Journal of Production Economics* 52: 31-46.

Edvardsson B, Gustafsson A, Johnson MD and Sandén B (2000) *New service development and innovation in the new economy.* Studentlitteratur: Lund.

Grönroos C (1990) *Service management and marketing: managing the moments of truth in service competition*. Lexington Books: Lexington Massachusetts.

Hargadon, AB, (1998) Firm as knowledge brokers: lessons in pursuing continuous innovation, *California Management Review*, Vol. 40, No 3 Spring, pp. 209-227.

Herstatt C and von Hippel E (1992) From experience: Developing new product concepts via the lead user method: a case study in a low-tech field. *Journal of Production Innovation Management* (9): 213-221.

Iwamura A and Jog VM (1991) Innovators organization structure and management of the innovation process in the securities industry. *Journal of Product Innovation Management* (8): 104-116.

Johne A. (1994) Developing new products: marketing for success *Capital Market Strategies* (1): 41-46.

Kristensson P, Magnusson P.R and Matthing J (2002) Users as a hidden resource for creativity: findings from an experimental study on user involvement. *Creativity and Innovation Management,* Vol. 11 No. 1, pp. 55-61.

Kristensson P, Gustafsson A and Archer T (2004) Harnessing the creative potential among users. *Journal of Product InnovationManagement*, Vol 21, pp. 4-14.

Kristensson P, Matthing J and Johansson N (2008) Key strategies for the successful involvement of customers in the co-creation of new technology-based services. *International Journal of Service Industry Management,* Vol. 19 No. 4, pp. 474-491.

Leonard D and Sensiper S (1998) The role of tacit knowledge in group innovation. *California Management Review* 40 (3).

Lin, C, Tan, B, and Chang, S, (2002) The critical factors for technology absorptive capacity, *Industrial Management and Data Systems* 6 (102), 300–308

Magnusson PR, Matthing J and Kristensson P (2003) Managing user involvement in service innovation. Experiments with innovating end users. *Journal of Service Research* 6 (2): 111-124.

Matthing J (2004) *Customer involvement in new service development* Diss. Karlstad University studies 1403-8099; 2004:31: Karlstad.

Miles MB and Huberman AM (2004) *Qualitative Data Analysis.* SAGE Publications: London.

Nonaka I and Takeuchi H (1995) *The knowledge-creating company – how Japanese companies create the dynamics of innovation.* Oxford University Press: New York.

Nonaka, I (1994) A Dynamic Theory of Organizational Knowledge Creation, *Organization Science*, Vol. 5, no. 1, February, pp. 14-37

Patton MQ (1990) *Qualitative evaluation and research methods.* Sage Publications: Newbury Park.

 Pitta D and Franzak F (1996) Boundary Spanning Product Development in Consumer Markets: Learning Organization Insights. *Journal of Consumer Marketing* 13 (5): 66-81.

Ramirez M (2004) Innovation, network services and the restructuring of work organisation in customer services. *Service Industries Journal*, 24(1): 99-115.

Rothwell R (1983) The role of small firms in the emergence of new technologies. *Omega* 12 (1): 19-29.

Rothwell R and Zegveld W (1982). *Innovation and the small and medium sized firm their role in employment and in economic change.* Frances Pinter Publishers: London.

Schulze, A and Hoegl, M (2008) Organizational knowledge creation and the generation of new product ideas: A behavioral approach, *Research Policy* 37 (2008) 1742–1750

Sørensen F. Mattsson, J & Sundbo, J, (2010) Experimental methods in innovation research, *Research Policy* 39 (2010) 313–322

Storey D and Sykes N (1996). *Uncertainty innovation and management* In: Burns P and Dewhurst J (ed) (1996) *Small Business and Entrepreneurship (2ⁿᵈ ed.)* Macmillan Business: London.

Sundbo J (1997) Management of Innovation in Services. *The Service Industries Journal* 17 (3): 432-455.

Sundbo J (1998) *The Organisation of innovation in services*. Roskilde University Press: Roskilde

Sweeney GP (1987) *Innovation Entrepreneurs and Regional Development.* Frances Pinters Publishers: London.

Tang HK (1998) An integrative model of innovation in organization. *Technovatian* 18 (5): 297-309.

Von Hippel E, Thomke S, and Sonnack M (1999) Creating breakthroughs at 3M. *Harvard Business Review* (September-October): 3-9.

Yin RK (1994) *Case Study Research: Design and Methods.* Sage Publications: Thousand Oaks CA.