

The Role of Employee Motivation to Knowledge Integration Mechanism: Service Organizations in Sri Lanka

D M T P Dassanayake

Department of Business Administration, University of Sri Jayewardenepura, Colombo, Sri Lanka

ABSTRACT

The general trend in the business world is to gain a competitive advantage through the use of innovation. Innovation can be gain through new products, services or entering into new markets. In the Present context involving employees has proven that organizations gain significant success. As they have hand-on experience and knowledge in product development and customer information have the capability of developing and delivering innovative products or services.

However, mismanagement of information may reduce productivity and impede the innovation capability in service organizations. implementation of a knowledge integration mechanism helps the organization to soft the relevant information gained through employee involvement.

There is a significant number of researches in relation to employee involvement and employee motivation. But there is a considerable lack of scholarly research in relation to service innovation capability and knowledge integration mechanism and impact of employee motivation to the above-mentioned criteria.

Service organizations in the hotel, financial, telecommunication, and Software were part of the research and data was collected from a hundred and fifty-three respondents. Data collected through validated self-administered questionnaires and analyzed Smart PLS testing the hypothetical relationships. The results indicated that a higher level of motivation will generate a high level of knowledge that will enhance the capability of the organization.

KEYWORDS: *Employee involvement, Employee motivation. Knowledge integration mechanism, Service innovation, Service innovation capability*

INTRODUCTION

The longevity of any organization really on the organization's capability of generating competitive advantage. This will provide the organization to become market leaders and gain more market share. This provides sustainability for organizations in the dynamic market. Service organization develops unique methods and tactics in transforming the service process. (Hertog et al, 2010).

Without creating value-added service or different approaches organizations will not be able to thrive in the business environment. Competition in the service sector becomes Severe, innovation is the only way to generate competitive advantage. Achieve this purpose the organization must really on knowledge and resources.

Optimal decision making should be based on the internal and external situation factors and employees are the most important factor in a service organization. Employees provide the most valuable information for the organizations as they are the party who will be developing and delivering the services. Employees without motivations will not be providing valuable information for the organizations in creating innovation capability. it's not empirically verified how the relationship between employee involvement and knowledge integration mechanism is impacted by the employee motivations.

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This study focuses on the service sector in Sri Lanka. Employee involvement will be tested based on the service sector in Sri Lanka and the study will focus on investigating the impact of employee involvement enhancing service innovation capability through knowledge integration mechanism and how does employee motivation shapes employee involvement for knowledge integration mechanism. Therefore, the main research questions to be answered in this study are 1) How knowledge integration mechanism effect the relationship between employee involvement and service innovation capability?.2) Explain how does employee motivation influences employee involvement for knowledge integration mechanism?

The main purpose is how employee motivation can be engaged in creating valuable knowledge for developing innovation capability in service organizations.

Literature Review

Service innovation and service innovation capability

Services in the economy play a critical part in economic growth. Due to this reason, scholars have conducted many types of research in service innovation. A considerable proportion of employment opportunities globally comes from the service sector. Therefore, services need to be developed to capture more economic growth and profit. Organizations are increasingly starting to understand that through developing innovative

services, they can develop a competitive advantage in their industries (Nonaka et al., 1996). Service organizations require service innovations to experience sustained growth, raise the quality and productivity levels of services, respond to changing customer needs and expectations, or stand up to superior competitive service offerings (Pöppelbuß et al., 2011).

The theories that are used to explain service innovations are borrowed from product innovation (Gremyr et al., 2014). They explain that service innovation must be considered as a new case of innovation, hence requires a new set of. However, they claim that broadening the service innovation concept may result in turning the concept into an unfocused and less relevant field (Gremyr et al., 2014).

Knowledge Integration Mechanisms

Integration with other parties will provide internal and external knowledge. But all the information gain cannot be converted to knowledge or be used at all the time. Due to these reasons, a well sort out mechanism needs to be in place to capture and store that can be used when it is necessary. Knowledge integration mechanism is a structure focused on retrieving and maintaining knowledge from different parties (Enberg., 2012).

“Based on the knowledge-based theory, knowledge integration was viewed as the critical factor affecting firms’ competitive advantage” (Hsu, Tsai, & Liao, 2013). Hsu, Tsai and Liao (2013) define knowledge integration mechanisms (KIMs), as the “formal processes and structures that ensure the access and integration of knowledge among different functional units within a firm.”

The issue with knowledge is that some of it are tacit or implicit, which makes it difficult to use. Therefore, structures in organizations are needed to integrate knowledge into the workings of an organization. When some structures and processes that are formally in place, different individuals from across departments can access the knowledge that is available to them. Without these structures and processes, knowledge can be lost with the changes in staff or simply due to changes in time. “Past literature suggests that the use of KIMs enables a firm to internalize and reorganize what it has learned and to decide on how to use the new knowledge (De Luca & Atuahene-Gima, 2007; Prahalad & Hamel, 1990, cited in Hsu et al., 2013). The issue with firms that do not understand the importance of knowledge integration mechanisms is that they will eventually fail to achieve product and service innovations (De Luca and Atuahene-Gima, 2007, cited in Hsu et al., 2013). Therefore, knowledge integration mechanisms are essential for an organization.

Employee Motivation

Robbins (2001) motivation as “willingness to exert high levels of effort toward organizational goals, conditioned by the effort’s ability to satisfy some individual need.” Motivational theorists distinguish between two types of motivation: intrinsic and extrinsic motivation (Frey, 1997; Osterloh & Frey, 2000). Extrinsic motivation is when an individual gains motivation from external sources. In this case, the reasoning for the activity is not inherent but came from outside. These can include rewards such as money and approval of others and avoiding punishment from an external source. Extrinsic motivation usually comes with pressure from the outside to perform in a certain way. On the other hand, intrinsic motivation involves only a person’s internal persuasion. For example, an employee

may be intrinsically motivated to perform well in the organization to satisfy themselves. (Bénabou & Tirole, 2003)

Hypotheses and the Conceptual Framework

Employees are the main reason for organizational creativity. Due to the contact with the consumers, the organizations can generate new ideas that satisfy the consumers (Melton & Hartline, 2010). Empirical evidence suggests employee involvement is the main reason for organizational innovation (Cadwallader et. al., 2013, Kesting & Uihøj, 2010, Ordanini & Parasuraman, 2010).

Based on the finding of Barcet (2010) several factors needed in providing a service. Where several resources and processes are used to provide these services the employee of the organization will facilitate all activities in a service organization in developing a new service or a service process (Gustafsson et. al. 1999).

H1: Higher level of employee involvement results in a higher level of service innovation capability

Knowledge Integration Mechanism and Service Innovation capability

Scholars and practitioners have considered the knowledge integration mechanism to be a critical factor affecting firms’ competitive advantage” (Hsu, Tsai, & Liao, 2013). Conducting a study on the Brazilian Cosmetic industry, Celadon confirms that “the ability to integrate knowledge is related to competitive advantage” (Celadon, 2014).

The use of KIMs enables a firm to internalize and reorganize what it has learned and to decide on how to use the new knowledge (De Luca & Atuahene-Gima, 2007; Prahalad & Hamel, 1990, cited in Hsu et al., 2013). De Luca and Atuahene-Gima, 2007 have explained how firms that do not understand the importance of knowledge integration mechanisms are the once that will eventually fail to achieve product and service innovations (De Luca & Atuahene-Gima, 2007 cited in Hsu et al., 2013).

H2: Increase in knowledge integration mechanism positively impacts service innovations capability

Employee involvement and knowledge integration mechanism

Participation is providing the power to the employees to express their feedback and ideas freely and actively get involved in the decision-making processes of the organization. Previous authors have claimed that encouraging employee participation is beneficial to the overall performance of an organization: “employee participation will lead any origination to achieve the desirable results in terms of improving their existing markets, or creating new markets, innovating the existing products or services and developing new products or services” (Aldakhil, 2016). Camison and Villar-Lopez have supported this: “the integration of all knowledge into the business processes used by the different skilled and experienced employees has good potential to improve the new products’ performance” (Camison, & Villar-López, 2014). The current study seeks to understand how employee participation impacts service innovation.

H3: Increase in employee involvement positively impacts knowledge integration mechanism

In the service sector employees play a critical role as the services are embodied with the service providers or the employees of the organization. Past scholars have identified that

the main drivers of service innovations are employees in an organization. (Santamaría et al., 2012).

Highly capable employees increase the probability of service innovations and organizations should focus on the capability of developing service innovations and the employees' involvement have a direct impact on the service innovation capability of the organization (Love and Mansury, 2007). empirically it is identified that capabilities of employees have a significant positive impact on service innovation, especially in the launch phase of a new service (de Brentani, 2001; van der Boor et al., 2014)

Due to no proper structure or systems within an organization in relation to knowledge integration mechanism. Information gathered from the employees and other parties will not leader impactful service innovation with the organization (Marinova 2004). Early research indicates that the knowledge integration mechanism act as a mediator in developing product innovation but not as a mediator in crating service innovation or service innovation capability. (De Luca and Atuahene-Gima 2007).

H4: Knowledge integration mechanism mediates the relationship between employee involvement and service innovation capability.

Employee motivation and employee involvement for knowledge integration

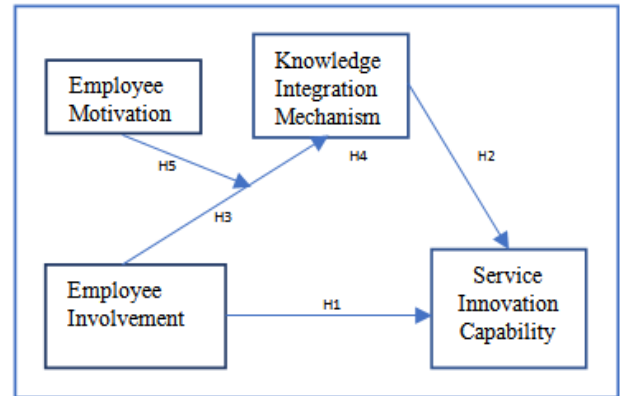
Employee involvement is defined as making organizational decisions is a well-researched area. It describes how employees can contribute effectively to meeting the organization's objectives. McMahan and Lawler (1994) define employee involvement as "the degree that employees share information, knowledge, rewards, and power throughout the organization". The above definition indicates that the main activity of employee involvement is the sharing of information and knowledge. Higher employee involvement and the impact on knowledge integration will be higher. The Motivation of the employee has an impact on employee involvement in sharing knowledge. Higher the extrinsic and intrinsic motivation higher will be knowledge sharing. Extrinsic motivation (rewards) has been shown to significantly affect employee involvement hence, certain forms of extrinsic motivation, for example, monetary incentives or praise and public recognition, may stimulate knowledge sharing. In addition, previous studies have shown that there is a relationship between increased intrinsic motivation and employee willingness to create a positive temperament in the organization (Lin, 2007) This ultimately results in increased learning as well as the desire to share knowledge voluntarily (Lin, 2007). Higher the extrinsic and intrinsic motivation the knowledge sharing of the employee will be higher. Sharing of knowledge leads to an increase in employee involvement and this will impact knowledge integration.

Intrinsic motivation to engage in knowledge sharing implies employees find the activity itself interesting, enjoyable, and inspiring. Research in the field of social psychology has shown that intrinsically motivated individuals are more inclined to participate in personal growth and career-building activities (Deci & Ryan, 2000). Research done by Amabile (1993) shows that behavioral outcomes such as creativity, learning as well as quality are promoted by intrinsic motivation. Therefore, it is reasonable to believe that intrinsic motivation and knowledge sharing will also be positively related. Cabrera and colleagues (2006), Lin (2007) and Osterloh and Frey (2000) have argued that there is a positive relationship between intrinsic motivation and knowledge sharing. Therefore, it is expected that employee

motivation is positively related to knowledge integration mechanism.

H5: Employee motivation moderates the effects of employee involvement on knowledge integration mechanism in a manner that higher employee motivation results in a stronger relationship between employee involvement and knowledge integration mechanism.

Figure1. Conceptual Framework



Measures

The research strategy was survey. A structured questionnaire was developed based on previous research questionnaires used by scholars. Employee involvement was measured using a 15-item scale developed by Denison, Jnovics, Young, & Cho (2006). Service innovation capability was measured using a five-item scale developed by Grawe, Chen, and Daugherty (2009). Knowledge integration mechanism was measured based on the seven-item measurement developed by Zahra, Ireland, and Hitt (2000). The moderating factors to employee involvement the employee motivation was measured based on 20 item-scale developed by Khan and Iqbal (2013).

Data Analysis

The survey was distributed among 165 service organizations in Sri Lanka. Based on the initial analysis the Cronbach's alpha value of the four variables ranged from 0.823 to .854 which indicates the survey is reliable and can be distributed among the total sample.

Table-1-Each variable Cronbach's Alpha

Variable	Cronbach's Alpha	Number of Items
Service Innovation capability	.823	5
Knowledge integration Mechanism	.854	7
Employee Involvement	.830	15
Employee motivation	.828	20

The data analysis was first done using the IBM Statistical Package for Social Sciences (SPSS) software. Plot diagrams and graphs were used to identify the outliers during the cleaning process. Outliers are detectable through analysis of the residual scatter plot. During the cleaning process, 12 outliers were detected. Therefore, 153 questionnaires were considered for the analysis. Since there were no missing values in the data set, the researcher proceeded with the rest of the data analysis.

Malhotra and Dash (2011) explain that normality is used to describe a curve that is symmetrical and bell-shaped. In a normal distribution, the highest score frequency is depicted in the middle. The two extremes have the lowest frequencies.

Abhayakoon and Balathanasan (2013) explain that a significance score of more than 0.05 in K-S and Shapiro-Wilk test show that the assumption of normality can be met. According to the outcomes of the normality test, none of the variables scored a significance value of more than 0.05. Therefore, the assumption of normality for the data set cannot be satisfied, the Pearson correlation is above .85. Due to this reason, Smart PLS software is used for further analysis.

Structural model and the hypothesis testing

The theoretical model proposed to test five hypotheses. The bootstrapping procedure was performed using 500 samples, (Hair et al., 2011; Vinzi et al., 2010; Jung et al., 2008a).

The path coefficients or the beta values for the above relationships are positive. The path coefficients for hypothesis 1, hypothesis 2, and hypothesis 3 were respectively 0.408, 0.886, 0.497. These path coefficients are significant as the T-value is greater than the significant critical values (> 1.96, for significance at 95% level and > 2.65, for significance at 99% level). Hypotheses H1, H1, H2, H3 are accepted.

Table 2: Path analysis

H	Path	Path coefficient	T-Statistics (O/STDEV)	P-Values
H1	EI → SIC	.408	2.823	.005
H2	KIM → SIC	.886	94.775	.000
H3	EI → KIM	.497	10.483	.000

the relationship between knowledge integration mechanism and service innovation capability is highly significant at 0.001 (99%) level. Further, the relationship between knowledge integration mechanism and service innovation capability is positive with a path coefficient of .886. Thus, it can be concluded that there is a significant impact of knowledge integration mechanism on service innovation capability. Hypothesis three focuses on the relationship between employee involvement and knowledge integration mechanism. The path coefficient for hypothesis 3 is 0.497 at the significance score of 0.001. Therefore, it can be concluded that there is a positive correlation between employee involvement and knowledge integration.

Testing for Mediation

The researcher used Preacher and Hayes, (2008) MacKinnon and Dwyer (1993) and MacKinnon, Warsi, and Dwyer (1995) statistically based methods by which mediation may be formally assessed. The impact of the mediation of knowledge integration mechanisms on the involvement of employees (Baron & Kenny, 1986).

Table 3: Structural model Hypothesis 4

	Reg1 _o	Reg1 _o	Reg2 _o	Reg2 _o	Reg3 _o	Reg3 _o	Reg3 _o	Reg3 _o	Mediator _o
	EI _o	EI _o	EI _o	EI _o	EI _o	EI _o	KIM _o	KIM _o	
	Path. coo	T-value _o	Path. coo	T-value _o	Path. coo	T-value _o	Path. coo	T-value _o	Yes _o
KIM _o	.561 _o	12.882 _o	_o	_o	_o	_o	_o	_o	
SIC _o	_o	_o	.448 _o	3.082 _o	.149 _o	2.232 _o	.206 _o	2.186 _o	

Source: Survey Data_f

As per the table 3, the first regression equation reveals that employee involvement has a positive impact on knowledge integration mechanisms. Also, the t-value of 12.882 suggests it is statistically significant at 0.01 significant level. The second regression equation results indicate that the employee

involvement has a positive impact of service innovation capability, the relationship is statistically significant as the t-value 3.082 is more than the critical value 2.65, therefore the relationship is significant at 0.01 level. The third regression equation, the mediator, knowledge integration mechanism, and employee involvement have a positive impact on service innovation capability. Both the relationships are statistically significant as the t values of the said relationships exceed the critical value of 1.96 and therefore significant at the level of 0.05. Even though the relationship between employee involvement and service innovation capability is positive in the third regression equation, it is lower than the same in the second regression equation. Therefore, according to Baron and Kenny (1986), three regression analysis performed and reported in table 4 suggests that employee involvement mediated by knowledge integration mechanism has a positive impact on service innovation capability.

Testing Moderation

In order to analyses moderating effects, the direct relations of the exogenous and the moderator variable, as well as the relation of the interaction term with the endogenous variable Y, are examined. The hypothesis on the moderating effect is supported if the path coefficient d is significant – regardless of the values of b and c (Baron & Kenny, 1986).

Table 4: Results of the structural model Hypothesis 5

	Path	Path coefficient	T Statistics (O/STDEV)		Moderator
H5	EM moderates EI	.173	2.331	.020	Yes

As PLS path modeling does not rely on distributional assumptions, direct inference statistical tests of the model fit and the model parameters are not available. As a solution to this, bootstrapping is recommended (Chin, 2010). Bootstrapping is a nonparametric technique for estimating standard errors of the model parameters (Efron & Tibshirani, 1993). Bootstrapping was used to identify the significance of the moderator. According to the results shown in table 5, the path coefficient is 0.173 and the t-value is 2.331 at the significance level of 0.01. The moderation is statistically significant. Thus, employee motivation moderates the relationship between employee involvement and knowledge integration mechanism. Moderating effects with effect sizes f² of 0.02 may be regarded as weak, effect sizes from 0.15 as moderate, and effect sizes above 0.35 as strong. Chin et al. (2003) state that a low effect size f² does not necessarily imply that the underlying moderator effect is negligible: “Even a small interaction effect can be meaningful under extreme moderating conditions, if the resulting beta changes are meaningful, then it is important to take these conditions into account” (Chin et al., 2003)

The f-value is 0.17 which shows that there is moderate strength of the moderation of employee motivation on the relationship between employee involvement and knowledge integration mechanism

Discussion

Employee involvement and service innovation capability in service organizations.

It was hypothesized that a higher level of employee involvement results in a higher level of service innovation capability (H1). Melton and Hartline (2010) said that due to the contact with the employees, they can generate new ideas that satisfy the consumers (Melton & Hartline, 2010). Empirical evidence

suggests that employee involvement is the main reason for organizational innovation (Cadwallader et. al., 2013, Kesting & Ulhøj, 2010, Ordanini & Parasuraman, 2010). Employees who are engaged and equipped with skills and knowledge have a strong impact on service innovations (Ordanini & Parasuraman, 2010). In the service industry, it can be expected that employees are even more familiar with the expectations of the consumers as well as the challenges they face during service delivery than in the manufacturing industries.

Knowledge integration mechanism on service innovation capability

Scholars and practitioners have considered the knowledge integration mechanism to be a critical factor affecting firms' competitive advantage" (Hsu, Tsai, & Liao, 2013). Conducting a study on the Brazilian Cosmetic industry, Celadon confirms that "the ability to integrate knowledge is related to competitive advantage" (Celadon, 2014). This explains the value of studying these concepts further, as these concepts can be also antagonistic.

Knowledge integration mechanisms on employee involvement and the service innovation capability

Participation is providing the power to the employees to express their feedback and ideas freely and actively get involved in the decision-making processes of the origination. Previous authors have claimed that encouraging employee participation is beneficial to the overall performance of an organization: "employee participation will lead any origination to achieve the desirable results in terms of improving their existing markets, or creating new markets, innovating the existing products or services and developing new products or services" (Aldakhil, 2016). Camison and Villar-Lopez have supported this: "the integration of all knowledge into the business processes used by the different skilled and experienced employees has good potential to improve the new products' performance" (Camisón, & Villar-López, 2014).

The findings of the current study show that the knowledge integration mechanism mediates employee involvement with service innovation capability. The findings have confirmed the notion that knowledge integration mechanisms connect knowledge to performance. "Because KIMs are mandated processes for learning, they provide milestones that ensure a sense of order in cross-functional knowledge sharing, use, and learning" (De Luca & Atuahene-Gima, 2007).

Employee motivation on employee involvement

Employee involvement impact on knowledge integration has is positively influenced by employee motivation. Extrinsic motivation is when an individual gains motivation from external sources. In this case, the reasoning for the activity is not inherent but came from outside. These can include rewards such as money and approval of others and avoiding punishment from an external source. Extrinsic motivation usually comes with pressure from the outside to perform in a certain way. On the other hand, intrinsic motivation involves only a person's internal persuasion. For example, an employee may be intrinsically motivated to perform well in the organization to satisfy themselves. the findings and it showed that there is moderate strength of the relationship (Lin 2007). Therefore, it can be said that employee motivation is a moderator of the relationship between employee involvement and knowledge integration mechanism.

Further research

Broadening the scope of the samples to study and the impact of employee motivations and other factors such as organization culture and the productivity of the organizations can also be used as mediators and moderators for future research activities. Most of the organizations used in the study come under the category of larger organizations. this model can be used for a significant sample of small and medium-sized organizations.

Conclusion

The study focused on several factors but the focus on how employee motivations impact the existing relationship in the organization's knowledge mechanism. It indicates that employee motivations have a significant impact on the knowledge integration mechanism as it will enhance employee involvement in making more contributions to the knowledge integration mechanism.

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