

Introducing Goods Innovation, Service Innovation, or Both? Investigating the tension in managing innovation revenue streams for manufacturing and service firms

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Abstract

Many manufacturing and service companies extend their product lines by introducing different domain innovations, i.e., manufacturers launching new services and service firms venturing into new goods. Little is known about how this innovation approach compares to firms focusing on introducing same domain innovations, i.e., manufacturers launching new goods, and service firms introducing new services. Furthermore, a manufacturer extending into new service, for instance, can focus on introducing different domain innovations or new services (a singular innovation) or plan on launching both same and different domain innovations or new goods and new services (a dual innovation). Singular innovation can facilitate a firm's focus in allocating limited resources and attention. In contrast, pursuing dual innovation requires allocation of more resources and attention into introducing both new goods and new services with the potential benefits of higher market value from its innovations. This research investigates these innovation approaches at the firm level using a set of archival data from 2008 that comprise of 16,735 manufacturing and service firms located in eleven countries in Europe. Our results show no statistical difference in innovation revenue performance for introducing same or different domain innovation (both gain about 13-14% higher performance relative to no innovation case). Our findings also show a dual innovation approach achieves an even higher innovation revenue performance (18% higher relative to no innovation case). Despite the higher performance, we find that the interaction effect of same and different domain innovation on firm innovation revenue is substitutive. Post-hoc analyses also show the substitution effect is stronger (weaker) for small (large) firms. Other robustness tests are also performed, including tests with an alternative measure of innovation revenue and a different archival dataset of 9,933 manufacturing and service firms from nine countries in Europe in 2010. Results of the robustness tests are largely consistent with the original findings. Overall, these findings contribute to a nuanced understanding of the tension firms face in introducing innovations in same and different domain activities.

Speaker Profile

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