

2014

# BioTechnology

*An Indian Journal*

FULL PAPER

BTAIJ, 10(18), 2014 [10632-10635]

## The relation of customer participation, knowledge transfer and enterprise service innovation under the service recovery background

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### ABSTRACT

In the process of exploring the nature of "the Service Recovery Paradox ", scholars find the degree of interaction in the process of service recovery on customers and enterprises directly determines the effect of service recovery, which is one of the important effect is service innovation. The paper studied the relationship under the service recovery background between customer participation, knowledge transfer and enterprise service innovation, and built a model.

### KEYWORDS

Customer participation; Knowledge transfer; Enterprise service innovation.



In the process of exploring the nature of "the Service Recovery Paradox", scholars find the degree of interaction in the process of service recovery on customers and enterprises directly determines the effect of service recovery, which is one of the important effect is service innovation. In the process of service recovery, customers are initially reluctant to – the "passive intervention", and then to the final customers and enterprises real time communication -- the "active participation", then bring the innovation of enterprises. Scholars in the field of service innovation have conducted the exploring research on the relationship of customer participation and innovation performance and the intermediary mechanism. The study finds that, customer participation is benefit to improve the innovation performance, and knowledge transfer performance may play an intermediary role between customer participation and innovation performance<sup>[1]</sup>.(Chang et al.,2006) He(2004) confirmed by the empirical study that customer participation and team performance had a significant relationship, and knowledge transfer was as the intermediary role in it. Based on that, the author studied the relationship under the service recovery background between customer participation, knowledge transfer and enterprise service innovation, and built a model<sup>[2]</sup>.

## THE EFFECT OF CUSTOMER PARTICIPATION AND SERVICE RECOVERY ON KNOWLEDGE TRANSFER

For the limits of customer participation, the invest on service recovery and knowledge transfer, different scholars have different ideas. Rodi and Kleine(2000)thought that customer participation was a behavior concept. Which was refer to providing resources and making behavior on customer in the service production and the transfer process<sup>[3]</sup>. Fanxiucheng and Zhangyutong(2004) thought that customer participation meant that customer's invest on intelligence, entities and emotion in the service process. In summary, customer participation in service recovery investment referred to the customer participation degree in the remediation activity on service failure, namely the influence on service recovery performance of enterprises. Bowen and Lawler(1992)thought If the customers having the higher position, they could set a higher request to the remedial activities, obtained more satisfactory results<sup>[4]</sup>. Carbonell et al.(2009) made the definition of customer participation extend to "customer interaction" and "customer partnership", which paid more attention to the enterprise and customer interaction and got more importance on the information of customer, customer demand was regarded as an important resource<sup>[5]</sup>.

There are many aspects of measurement dimensions of customer participation on scholar understanding, the results are not the same. Alam(2002)referred that customer participation in service recovery investment included four dimensions: customer participation remedial goal, customers participating in remedial strength, customers participating in the remedial phase and customer engagement model<sup>[6]</sup>. Ennew and Binks(1999) made the tmpirical test for the Bank of England on three dimensions of information sharing, responsible behavior and interpersonal. Which laid the foundation for subsequent research<sup>[7]</sup>. In follow-up studies of scholars participating in the community of customers, information sharing and interactive collaboration are most recognized by everyone. This article will continue to use the above dimensions which were studied.

Knowledge transfer was first proposed by Teece (1977) suggested that knowledge transfer was a knowledge sharing within an organization or between organizations<sup>[8]</sup>. Szulanski (1996) proposed the transfer of knowledge rather than knowledge diffusion, which was purposeful and planned to share among the organizations or organization. For the definition of customer knowledge<sup>[9]</sup>. Lu Junyi, Wang Yong (2011) proposed customer knowledge referred to customer information, including customer needs, customer characteristics, history and potential of customer relationships. Since this paper, aimed to study the effect of enterprise, so using this dimension of knowledge transfer.

According to the studies of Lu Junyi, Wang Yong (2010) and Zhang et al. (2007)<sup>[10]</sup>, customer participation exists a positive correlation between knowledge transfer. John and Storey (1998) referred to allow customers to participate in enterprise service innovation was very important. Because enterprise in direct contact with customers, and got the demand from the customer. The same is true in the service recovery. Customer feedbacks messages in the enterprise mistakes on business, and through interaction and cooperation, customers become increasingly sophisticated, knowledge will increase, thereby the ability of clarifying the gap between customer expectations and the actual experience of interest will increase. After participating in the visible customer service recovery, in the follow-up process of innovation on the companies, knowledge transfer made by the interaction between customers and companies plays a big role. And so I propose the following hypothesis:

H1: Customer participation in service recovery plays a positive impact on knowledge transfer effect.

H1a: In customer participation in service recovery, information contact have significant positive impact on the effectiveness of knowledge transfer.

H2b: In customer participation in service recovery, interaction and cooperation have significant positive impact on the effectiveness of knowledge transfer.

Enterprises participation in service recovery affects on knowledge transfer

Meaning of companies involved is promoting behaviors and attitudes of customer participation, thereby improving knowledge transfer effect. Zhang Ruoyong, Liu xinmei, Zhang Yongsheng (2007) referred that enterprises contact with customers improving the customers participation enthusiasm, provided an effective channel of knowledge transfer. And business investment strengthened the effectiveness of knowledge transfer, helped companies better access to customer knowledge, and then improved application efficiency on customer knowledge in service innovation. Hanne and Ada(2011) thought for better access to customer knowledge by service enterprises, we should correctly view the value of customer participation, and form an atmosphere conducive to customer investment<sup>[11]</sup>. So I used the business contacts and businesses to invest these two dimensions to measure corporate participation.

H2: Enterprises participation in service recovery has significant positive impact on the effectiveness of knowledge transfer.

H2a: Business contacts has a significant positive impact on the effectiveness of knowledge transfer

H2b: Companies invest has a significant positive impact on the effectiveness of knowledge transfer

## INFLUENCE ON KNOWLEDGE TRANSFER WITH ENTERPRISE SERVICE INNOVATION

Enterprises get customer demand information and experience from customer participation service recovery. The information and resources are key resource of enterprise service innovation. In the current era of the new economy, knowledge is considered to be the company's most important and most difficult to duplicate resources. Kogut and Zander(1992)thought acquiring new knowledge could help enterprises to improve innovation performance<sup>[12]</sup>. Zhang Ruoyong, Liu Xinmei, Zhang Yongsheng (2007) proposed in the consumer and business interaction the customer knowledge transfer was benefit to boosting corporate knowledge bases and promoting business innovation. Dorothy L and Sylvia S(1998) proposed that Innovative relied on organizations accumulated knowledge, skills, experience. Therefore, knowledge transfer plays an important role to improve innovation performance<sup>[13]</sup>.

Zhang Yu, Lin Lei, Wu guisheng (2005) proposed there were product innovation, process innovation, organizational innovation, market innovation, technological innovation, transfer innovation, restructuring and innovation in innovative services. Zhang Ruomei, Liu Xinmei, Zhang Yongsheng (2007) believed that knowledge transfer could promote enterprise service innovation on service delivery, improve service quality, develop new service offerings. Hull and Tidd(2003)measured service innovation performance from innovation and quality, time and cost as well as service delivery<sup>[14]</sup>. While the traditional service innovation indicators and corporate financial indicators are mostly related. With the progress of the study, it was found that the enterprise service innovation was not only to enhance the economic benefits it brings on, but also in the enterprise could bring many benefits, such as improving customer satisfaction, improving customer loyalty, improving corporate image and improving organizational culture, etc. So I use two dimensions of the enterprise service innovation and business service innovation performance to measure corporate performance. Thus hypothesize:

H3: Knowledge transfer has significant positive impact on the business service innovation performance

H3a: Knowledge transfer has significant positive impact on the business performance of innovative products and services

H3b: Knowledge transfer has significant positive impact on business performance of enterprise service innovation

## CUSTOMER PARTICIPATION IN SERVICE RECOVERY IMPACT ON BUSINESS SERVICE INNOVATION

In the past years, the driving of enterprise service innovation was inside the enterprise, so enterprises researched internal services and then extended to the market. But as time goes on, with the rapidly changing on external environment, it was rapid risen of the customer position in the market, the supply demand was pulled to the pattern of demand determines supply while the supply determines the demand.

As a service business, the quality of service can only be measured from the customer experience to make the evaluation. Especially when there is a service failure, the strengthening and customer interaction, so that customers can better participate in, understanding customer needs, which having a great sense of service innovation on enterprises. Hartline et al.(2000) proposed customer was not only service consumers, but also could get a significant role in service innovation<sup>[15]</sup>. Bo Edvardsson and Bentove (2003) put forward the customer to participate in service recovery on the one hand allowed the customer a better experience and understanding of business services, improving their evaluation, obtaining customer loyalty. But also allowed businesses to obtain customer 's feedback, so that companies could quickly improve service problems<sup>[16]</sup>. He (2004) demonstration also confirmed customer participation had a significant relationship on innovation performance with enterprises. Thus hypothesize:

H4: Customer participation in service recovery has a positive impact on enterprise service innovation performance

H4a: In customer participation in service recovery customer contact has a significant positive impact on the business performance of innovative products and services

H4b: In customer participation in service recovery interaction and cooperation have a significant positive impact on the business performance of innovative products and services

H4c: In customer participation in service recovery customer contact has a significant positive impact on business performance and enterprise service innovation

H4d: In customer participation in service recovery interaction and cooperation have a positive impact on corporate performance and enterprise service innovation

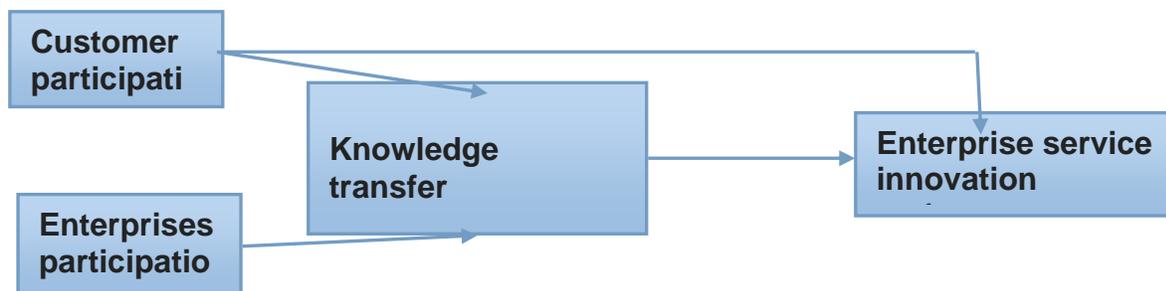


Figure 1 : The relation of customer participation, knowledge transfer and enterprise service innovation under the service recovery background

## ACKNOWLEDGEMENT

This work has been supported by the Natural Science Foundation of China (Project No. 71002092), Zhejiang Provincial Natural Science Foundation Project of China (Project No. LQ13G020003) and Zhejiang Provincial Philosophy Social Science Planning Project of China (Project No. 14NDJC093YB and 13NDJC047YB).

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