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New service development: a stakeholder perspective

New service
development

Anne M. Smith

*Centre for Strategy and Marketing, The Open University Business School,
Milton Keynes, UK, and*

Moira Fischbacher

School of Business and Management, University of Glasgow, Glasgow, UK

1025

Abstract

Purpose – To increase understanding of both the process of new service development (NSD) and the nature of services as delivered to customers.

Design/methodology/approach – Four qualitative, exploratory case studies encompassing public (health) and private (financial) sector service organisations.

Findings – Managers select stakeholder groups for involvement in NSD attributing stakeholder salience, centrality to the process and power to influence the final service design. Customers are “dormant” stakeholders, thought to lack the knowledge/experience to contribute meaningfully to NSD. Their interests and needs are channelled through other stakeholders.

Research limitations/implications – The research is confined to two service industries based on a key informant approach; thus generalisability to other industries may be limited.

Practical implications – Multiple stakeholder involvement places a growing emphasis on the need for NSD managers to be skilled in managing complex, multi-layered and multi-faceted processes, often without legitimate power. This is likely to be a particular challenge for the public sector.

Originality/value – This paper examines the relatively underdeveloped area of NSD and from an unusual perspective, i.e. that of services as outcomes of an amalgam of stakeholder interactions and relationships. Furthermore, it represents one of only a few in-depth studies of NSD within a health service context.

Keywords Stakeholder analysis, Health services sector, Financial services

Paper type Research paper

Introduction

New service development (NSD) is recognised by both marketing academics and practitioners as being of increasing strategic significance (Day and Wensley, 1988; Storey and Easingwood, 1999). Yet NSD remains an underdeveloped area (Martin and Horne, 1995) lacking in empirical research (Song *et al.*, 2000). The need to involve customers in new product development (NPD)/NSD is emphasised in the marketing literature (Coopers and Edgett, 1996; Davison *et al.*, 1989) where understanding customer needs is central (Edvardsson and Olsson, 1996). Martin and Horne (1995), however, argue that direct customer participation in NSD does not happen very often. Both NPD and NSD studies indicate the potential for involvement of a wide range of stakeholders (i.e. “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (Freeman, 1984, p. 46)). Consequently, questions arise as to which stakeholder groups influence the NSD process (and ultimately the final service outcome) and whether their interests reflect those of the final consumer.



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Greenley and Foxall (1998) highlight that the marketing literature typically focuses on only two stakeholder groups (consumers and competitors) arguing that this attention should be extended to include other key stakeholders. Yet, while stakeholder theory offers relevant frameworks for understanding both the nature of services and the NSD process itself, few empirical studies have examined how organisations interact with their stakeholders (Berman *et al.*, 1999; Donaldson and Preston, 1995; Greenley and Foxall, 1996, 1998) and none have investigated NSD from this perspective. This study adopts two interconnected stakeholder frameworks and, through exploratory case study analysis, aims to examine how NSD teams both exist within, and create, stakeholder environments thus determining both the nature of the NSD process and the final service outcome. First, Rowley's (1997) two-dimensional (network centrality and density) theory of stakeholder influences is adapted to focus on NSD project team management, their position within both internal and external networks and the nature of their stakeholder relationships (networks here are taken to mean the full set of formal and informal ties between stakeholders in the NSD process. For fuller discussion of the concept of networks see, for example, Jones *et al.* (1997) and Kickert *et al.* (1997)). Second, Mitchell *et al.*'s (1997) typology of power, legitimacy and urgency provides a framework to examine the impact of various stakeholders on management decision-making. In particular the role of the final customer (or consumer) in NSD is examined.

The inseparability of service production from consumption highlights the problems involved in defining the parameters of NSD and a number of classifications have been suggested (Avlonitis *et al.*, 2001; Gadrey *et al.*, 1995). NSD encompasses the development of tangible and intangible elements of a service, not previously offered by the supplier, including "offer development", i.e. the development of "processes by which the product (or service) is evaluated, purchased and consumed" (Johnes and Storey, 1998, p. 185). A wide range of organisational features may be involved (Edvardsson and Olsson, 1996) including systems, staff, the physical environment, and organisation structure and control. Consequently the potential for NSD projects to differ in nature and scope is substantial and empirical studies increasingly focus on the wider organisational context of the process (Johnes and Harbone, 2003; Smith and Fischbacher, 2002; Stuart, 1998; Tax and Stuart, 1997) again suggesting the relevance of a stakeholder approach.

A final issue concerns the application of generic organisation and management theories to public sector organisations that is often criticised for ignoring significant public/private differences (Hooijberg and Choi, 2001; Noordegraaf and Stewart, 2000). A fundamental difference distinguishing the two is their stakeholder relationships (Perry and Rainey, 1988). Consequently, both public and private sector NSD processes are explored highlighting the potential generalisability of this approach.

The discussion below examines the potential relevance of stakeholder theory, and the proposed theoretical frameworks in particular, by outlining some of the main issues and findings of NPD/NSD research to date. In particular the roles of stakeholder centrality, stakeholder relationships and stakeholder salience in NSD are examined. The case study methodology is then described together with details of the four cases. Case analysis including the nature of stakeholder groups, their interests and influence on NSD process and outcome follows and is described within the framework of

centrality, relationships and salience. Finally, conclusions are drawn, together with suggestions for further research.

Stakeholders in new service development

Early NSD studies built on approaches from a goods environment attempting, for example, to identify process “stages” (Edgett, 1996; Scheuing and Johnson, 1989) and factors affecting success and failure (Cooper and Edgett, 1996; de Brentani, 1991; Easingwood and Storey, 1991) (for a review see Johnes and Storey, 1998). The traditional emphasis in the marketing literature, i.e. the need to involve the final customer/consumer (Davison *et al.*, 1989; Edvardsson and Olsson, 1996) has been augmented to reflect the crucial role of service staff (internal customers) (Zeithaml and Bitner, 1996). Additionally, the need to examine how marketing activities create shareholder value (Day and Fahey, 1988; Doyle, 2000) and to appreciate the wider organisational context and multi-disciplinary/multi-functional nature of business processes (Day, 1994; Srivastava *et al.*, 1999; Webster, 1992, 1997) suggests that stakeholder theory can provide relevant frameworks within which to analyse NSD. Consequently, Rowley’s (1997) framework of network centrality and density is adapted and combined with Mitchell *et al.*’s (1997) typology in order to explore both the nature of NSD and the final service outcome as outlined below.

Stakeholder centrality

Innovation processes are essentially communication and information processing activities (Lievens *et al.*, 1999) and the importance of coordination in NPD, both within the organisation and with external stakeholders, has been emphasised. Centrality refers to an individual actor’s position in the network relative to others (Gnyawali and Madhavan, 2001; Rowley, 1997) and thus power obtained through organisation and network structure. Consequently, successful NPD requires the creation of organisational features, such as cross-functional project teams, which position key decision makers (project leaders, champions and others) with the relevant authority to facilitate communication, coordination, control and ultimately success (Ayers *et al.*, 1997; Cooper and Kleinschmidt, 1995; Lievens and Moenaert, 2000; Moenaert *et al.*, 1994). Additionally, NPD can involve suppliers (Takeishi, 2001) and other alliance partners (Sivadas and Dwyer, 2000) where key individuals require the power to influence personnel and systems across organisations. Including other stakeholders, for example employees, on committees, teams etc., will potentially increase their power to influence NSD. The concept of “network centrality” is adapted in this study to identify how managers, at several organisational levels, create “coordinating structures” to include, directly or through representation, stakeholders who they consider to be salient, and whose power, as stakeholders, is then enhanced through that centrality.

Stakeholder relationships

The role of collaboration, cooperation, and particularly trust, in relationships is increasingly emphasised in many areas of the marketing literature (Chenet *et al.*, 1999; Morgan and Hunt, 1994). Collaboration and cooperative competency have a profound association with NPD/NSD success regardless of whether this is an intra- or inter-firm endeavour (Gupta *et al.*, 1985, 1986; Moenaert *et al.*, 1994; Rochford and Rudelius, 1992;

Sivadas and Dwyer, 2000; Takeishi, 2001; von Raesfeld Meijer *et al.*, 1996; Wilson, 2001). At the network level, Rowley's (1997) framework includes density, i.e. the number of relational ties between stakeholders. These ties improve communication and lead to the establishment of shared behavioural expectations. Studies, however, also highlight the benefits to be gained from "weak ties" in organisational networks (Kraatz, 1998; Rowley *et al.*, 2000). Within an NPD context too much cooperation or strong relational norms between departments can reduce success (Ayers *et al.*, 1997) as issues are excluded from consideration (Wilson, 2001). Consequently the nature of stakeholder relationships based on similarities, or differences, in expectations and interests is likely to impact on NSD. The implications of network density are assessed in this study by examining the nature of individual stakeholder relationships and how these influence NSD.

Stakeholder salience

The literature, discussed above, highlights a number of internal (senior management, project team members, functional managers and staff, customer-contact staff) and external (customers, shareholders, distributors, suppliers and other network partners) stakeholder groups who have an interest in both the process and outcome of NPD/NSD. Stakeholder theory "attempts to articulate a fundamental question in a systematic way: which groups are stakeholders deserving or requiring management attention, and which are not" (Mitchell *et al.*, 1997, p. 855). These authors argue that it is managers who determine which stakeholders are salient and how they prioritise will then predict managerial behaviour. They (also see Agle *et al.*, 1999) provide a dynamic theory of stakeholder identification and salience, an eight-dimensional typology (i.e. dormant, dominant, dangerous, definitive, dependent, discretionary, demanding, non-stakeholder) classified according to their power, legitimacy and urgency (see Table I).

The relative salience of primary stakeholders will change over time, impacting on the way managers behave in response (Friedman and Miles, 2002; Jawahar and

Stakeholder classes	Power ^a	Stakeholder attributes Urgency ^b	Legitimacy ^c
Dormant	×		
Discretionary			×
Demanding		×	
Dominant	×		×
Dangerous	×	×	
Dependent		×	×
Definitive	×	×	×
Non-stakeholder			

Notes: × denotes that the stakeholder group possesses the attribute; ^aPower – "stakeholder power exists where one social actor, A, can get another social actor B, to do something that B would not otherwise have done" (Agle *et al.*, 1999, p. 508); ^bUrgency – "a multidimensional notion that includes both criticality and temporality" (Agle *et al.*, 1999, p. 508); ^cLegitimacy – "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Agle *et al.*, 1999, p. 508)

Source: Adapted from Mitchell *et al.* (1997)

Table I.
Eight-dimensional
stakeholder typology

McLaughlin, 2001). Consequently, meaningful analysis should be context specific and may vary over the service lifecycle. The case studies described below focus on the development stage where stakeholder involvement will potentially impact on the nature of the final service.

Methodology

1029

The four NSD case studies comprise two private sector financial service projects (bank mortgage product and bank retail outlet/distribution network) and two public sector health service projects (hospital and health centre). Financial services have provided the context for much NSD research to date (see, for example, Avlonitis *et al.*, 2001; Cooper and Edgett, 1996; Davison *et al.*, 1989; Easingwood and Storey, 1991; Edgett, 1996; Lievens *et al.*, 1999; Lievens and Moenaert, 2000; Meyer and Detore, 2000; Oldenboom and Abratt, 2000; Scheuing and Johnson, 1989; Storey and Easingwood, 1993, 1999). Fewer studies focus on health service innovations (for exceptions see Pinto and Pinto, 1990; Sivadas and Dwyer, 2000; Smith and Fischbacher, 2002). Both are major sectors of consumer societies, are highly visible and heavily regulated. Potentially, therefore, their NSD activities will be the focus of substantial stakeholder interest.

A qualitative, case study approach, (adopted by previous NSD researchers, e.g. Johne and Harbone, 2003; Lievens *et al.*, 1999; Stuart, 1998), enables the study of complex and dynamic processes (Cassell and Symon, 1994) and the exploration of emerging insights (Adams and Schvaneveldt, 1985; Yin, 1994). As a research area lacking in substantial previous empirical study, it is neither desirable nor possible to impose restrictive a priori classifications on data collection. Concentration on emergent themes (Cassell and Symon, 1994) then provides a platform for theory development (Eisenhardt, 1989).

An expert judgment technique (Churchill, 1991) was adopted to purposively select interviewees deemed able to provide insight into the particular behaviours and processes being studied (Cassell and Symon, 1994). Expert judgment was combined with “snowballing” (respondents were used as informants to identify others with the desired characteristics), a practical and useful approach for accurately defining network boundaries and collecting relational data (Rowley, 1997).

The fieldwork, conducted over 18 months, involved 60 stakeholder interviews (80 hours of interviews in total – tape recorded and transcribed in full – see Table II), plus site visits and informal communications.

Transcriptions were coded deductively according to analytic categories derived from the literature, and then inductively, in line with themes generated by the interviewees. Interview data were deconstructed and organised thematically to allow comparison across case study sites and occupational disciplines, then reconstructed so as not to lose the original context and meaning (Coffey and Atkinson, 1996; Miles and Huberman, 1994). This analytical process involved description of organisational processes, interpretation of events, and the search for patterns and relationships among the data (Carney, 1990). Data and interpretations were continually reported to, and verified (Kvale, 1983) with, the interviewees throughout the period of the research.

Particular attention was given to organisational features created for NSD (for example, project teams) and the processes by which stakeholder inclusion in, and

Table II.
Interview participants

Case 1: bank 1	Case 2: bank 2	Case 3: health service 1	Case 4: health service 2
Director of product development; marketing analysis managers (3); product development managers (2); information services manager	Executive directors (2); general manager; senior managers (2); distribution managers (2); designers (4)	Directors of community care; public health; estates and facilities; finance; finance manager; trust vice chairman; architect; engineers (3); GPs (2)	Health authority commissioner; trust chief executive; consultant psychiatrists (7); managers (4); community psychiatric nurse; nurses (3); occupational therapists (2); psychologists (3); GPs (4); social workers (2); other therapists (2)

representation on, these influenced the service outcome. A brief summary of the four cases is presented below.

Case 1: developing a mortgage product (bank 1)

The focus of NSD is a specific financial product (a mortgage) to be distributed through existing channels, i.e. bank branches and intermediaries. For the bank, key service criteria are: sufficient customer demand, fit with bank image and reputation, and capabilities of systems. Key customer criteria are considered to be price and flexibility. This case represents the more traditional approach to NSD but within the context of organisational change and a new strategic emphasis on NSD, expressed primarily through the creation of the product development department (PDD) by the incoming CEO.

Case 2: developing a distribution network (bank 2)

The bank 2 case involves redevelopment of its distribution strategy, changing the function, identity and philosophy of the branches within an extensive repositioning exercise and organisational transformation. The network development team (NDT) were charged with devising a range of service outlets congruent with strategic objectives and reflecting the bank's philosophy and image. Their strategy represented significant financial investment, including branch redesign and the development of a self-service range of "kiosks", founded on design principles of innovation, optimum location, flexibility (location and opening hours) and efficiency.

Case 3: developing a community hospital (health service 1)

This case focuses on how, in response to government policy and legislation embodied in the NHS and Community Care Act (1990), the design of a new community hospital service by an NHS Trust evolved and subsequently won a competitive tendering process. Designers had to meet financial and public health specifications such as effectiveness, access, appropriateness, and illustration of flexibility in anticipation of future changes in funding and target populations. Failure to meet these would result in veto by the health authority and government, and the loss of a service which would play a strategic role in the trust's future, potentially laying them open to a flanking

attack via new services from competing trusts. Additionally the hospital design would be symbolic of the success of future community care.

New service
development

Case 4: developing a community mental health centre (health service 2)

Prompted by the same legislation as case 3, this case relates to the design of one of a number of mental health centres, created to meet the needs of the severely and chronically mentally ill. This secondary care provision would be accessed via referrals from GPs, social workers, other primary care professionals and those working with supported accommodation programmes. With responsibility, in conjunction with local hospitals and community services, for the implementation of the government's community care legislation, the health authority's decision to develop centres as the lynchpin of their mental health strategy required a programme of communication, consultation and decision making at many organisational levels over a period of six years. Key criteria were accessibility, responsiveness, and flexibility. Additionally, centres were, within certain constraints, to be customised to local conditions and designed by local teams. Thus, a range of configurations emerged.

1031

Stakeholder centrality (coordinating structures)

Figures 1-4 illustrate the structures by which management provided a forum for communication and channelled stakeholder interests into the NSD process.

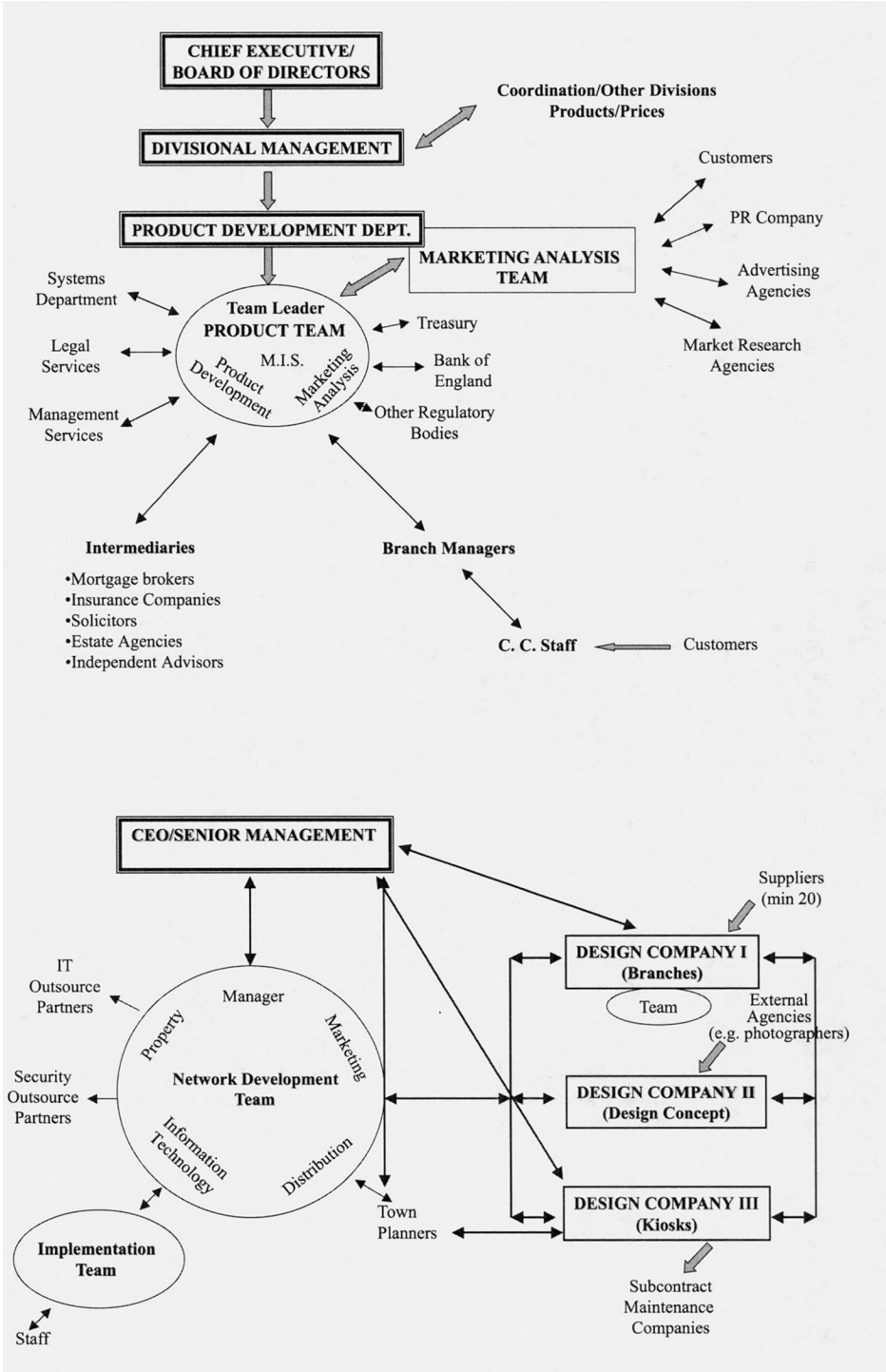
Uniquely within this study, and reflecting the continuous nature of NSD within this context, the bank mortgage product (case 1) evolved within an existing structure, i.e. the product development department (PDD) (although there is a degree of adhocism as members of the major coordinating structure, i.e. the project team, may vary for different services) (see Figure 1). The team leader and one other represent product development. Two representatives from marketing act as a conduit for market/customer information and, at the time of the research, played a supplier role. They were, however, hoping to develop both in terms of driving NSD and in establishing further coordinating structures to involve branch staff and even senior executives who potentially have power of veto over new services.

The second case (bank 2) involved a team specifically created for this NSD project, comprising five representatives of various areas of the bank. The team was responsible for coordinating the design activities of three external design companies. This bank's policy of outsourcing is evident (see Figure 2) and, in contrast to bank 1, after recognising the potential constraints of IT had added this to their outsourced activities. The absence of a property department was noted by design partners. They welcomed the consequent flexibility and in particular valued the small number of people with whom they had to deal and the lack of hierarchy that contributed to the success of the relationship.

Both health service cases involved temporary structures at a number of organisational levels (see Figures 3 and 4) focusing on the design of integrated care projects that Raak *et al.* (2002) argue:

Describes the organising processes needed to develop and deliver coherent, coordinated and continuous sets of services, delivered by cooperating actors (cited in Kumpers *et al.*, 2002, p. 339).

Figure 1.
Stakeholder involvement
in new service
development (bank 1)



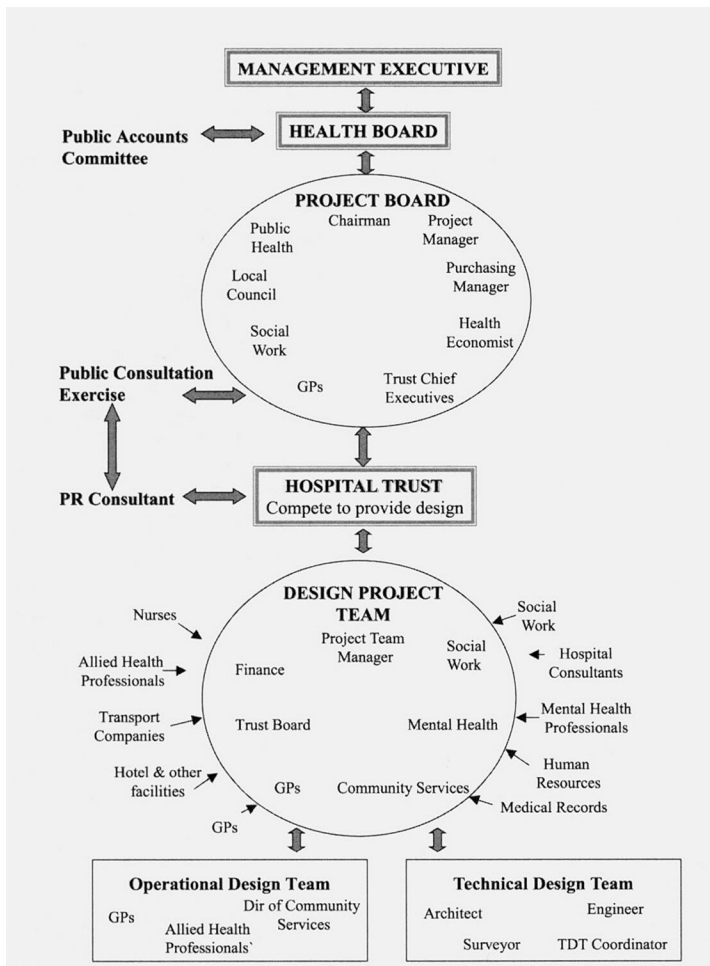


Figure 3.
Stakeholder involvement
in new service
development (health
service 1)

For the hospital (case 3), a health authority project board (PB) comprising senior representatives, and at the trust level, a design project team (DPT), were created. Their composition reflected the variety of stakeholder interests in the NSD process, including members whose specific role was to communicate directly with internal and external groups such as nurses and GPs, and others with specialist skills such as accountancy, reflecting the need to concur with the health authority's financial criteria. Indeed representation was so comprehensive that at one point "we had to draw a line because we were involving so many people, and as a core group we just had to take decisions" (DPT member).

The health centre project also created a coordinating group to represent the various stakeholder interests (see Figure 4) including subgroups, one responding to the need for patient advocacy, involvement of relatives and the concerns of local residents, and one other to issues raised by staff redeployment. Additionally, stakeholder conferences were instigated at two levels. First, search conferences that aim to identify preferred service outcomes and include wide representation. Subsequently, conferences were

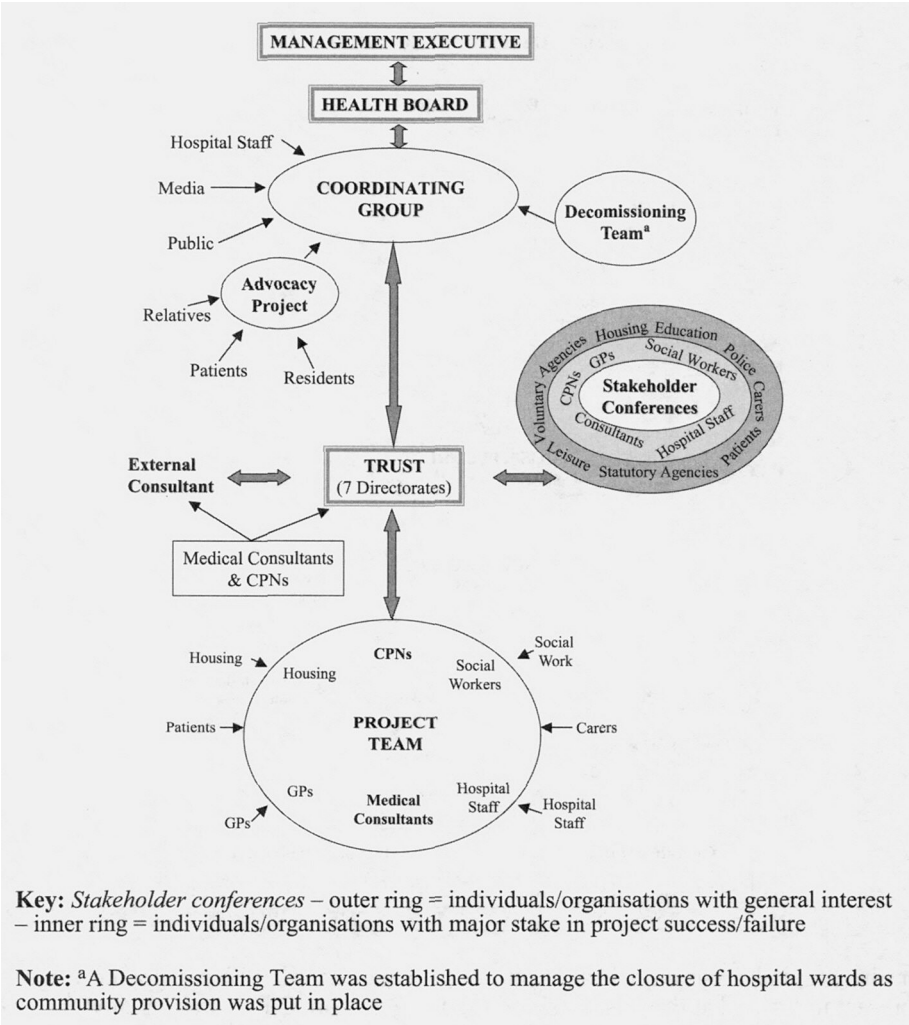


Figure 4.
Stakeholder involvement
in new service
development (health
service 2)

held for those with a “major stake”, particularly the community psychiatric nurses (CPNs) and consultants who would then form the core of the design team at local level. Their involvement was emphasised by the trust chief executive so as to establish ownership and credibility. The design process illustrated in Figure 4 and Table III relates to one where four CPNs and two consultants initiated a health centre project, identified key players, formed a team (numbering 10 to 14 people) selected and debated criteria and, after a process of negotiation, designed a centre which was subsequently staffed and managed by a locality manager.

Inclusion of stakeholders within such structures increases their centrality conferring power to influence service design by expressing their various interests (see Table III for a description of stakeholder interests in the design projects). The

Stakeholder group	Interest	Centrality/coordinating mechanism	Influence on service design
<i>Bank 1</i>			
CEO/board of directors	Bank image/profitability	New CEO set up product development department	Approve or refuse initiatives/costs
Product development department	Product profitability. Fit with organisation's strategy and plans	Key participants in product team. Reliant on senior support. Negotiate with other departments/no hierarchical control	Main drivers of product ideas and process
Marketing/strategic analysis/subunit of PDD	Sufficient market demand. Aim to increase influence in NPD process	Representation on product team. Central to liaison with research/advertising agencies	Currently provide supporting market information for further development
Information systems department	Resource allocation. Fit with existing systems	Negotiation with product team	Constraint on development/negative impact on functionality/competitiveness, e.g. re processing of application
Legal services	Compliance with relevant legislation	Negotiation with product team	Increase product complexity, e.g. "non-consumer friendly small-print"
Branch staff	Customer interest "realism" re potential and sales issues	Branch manager discussions with product teams/staff training re launch	None specific re this product. Indirectly through previous product launches and customer contact
Intermediaries, e.g. mortgage brokers/estate agencies/solicitors	As above/market potential/product simplicity and longevity	Regular communication with local branch and PDD	"Important role in design" intermediary criteria fit, e.g. potential for longevity in marketplace
Customers	Price/flexibility. General fit with bank image	No direct involvement. Perceptions/expectations/previous behaviour through various channels	Indirect but focus on customer criteria throughout
<i>Bank 2</i>			
Senior management	Integration of all aspects of design to reflect bank's repositioning and image. Return on investment chief executive product champion for kiosk design	Chief executive directly involved. Personally visited and employed design company, three other senior execs involved directly in planning authority discussions and employment of design company 1	Resource allocation. Composition of NDT. Approved kiosk design. Location decisions
Network development team	Achieving strategy and project objectives	Members of main coordinating group. Responsibility for employing design companies 1 and 2	Overall responsibility for design brief as it evolved from negotiations with design companies

(continued)

Table III.
Stakeholders in new service design: interest, centrality and influence

Table III.

Stakeholder group	Interest	Centrality/coordinating mechanism	Influence on service design
Design company 1	Entry to UK market. Exploit additional applications of existing design concept. Additional work from this institution and other financial institutions. Customer contact – good communications	Previous relationship with project team manager. Negotiation with design team (NDT) through their own dedicated team of three people. Worked with design company 2 and the bank to develop formalised design brief	Major responsibility for branch design developed from previous work in the clothing retail sector
Design company 2	Client relationships. In particular that the client has ownership of the design and clear problem definition, and is interested, which moves the process forward more quickly but allows creative flexibility	Negotiation with design team (NDT). Worked with design company 1 and the bank to develop formalised design brief	Major responsibility for the overall concept design and bank image. Integration of branch and kiosk design
Design company 3	Entry to UK market. Additional work from this institution and other financial institutions. Good designer-client communications	Chief executive instigator of relationship and thereafter, direct contact and involvement. Negotiation with design team (NDT) and design company 2 to develop specifications. Involved in negotiations with planning authorities	Major responsibility for design, building and subsequent (outsourced) maintenance of “innovative” kiosks
Town planners	At the time – considerable concern about the deteriorating appearance of city streets through “street furniture clutter”	Negotiations with NDT, design company 2 and directly with chief executives	Timing of establishing kiosks in some locations
Branch staff	Changes to employment patterns and working conditions. Ability to achieve sales targets	Regular meetings with implementation team (co-membership with NDT) responsible for human resource and processing issues. “Roadshow” for communication with branches	None
Customers	Design was an “interpretation of user needs and preferences”	None	Based on “interpretation” of customer needs
<i>Health service 1</i> Health authority	Strategic level/income generation compatibility with government directives/legislation. Cost. Environmental policy	Composition of project board/working group. Pivotal role in communication network. Responsible to, and direct communication with NHS management executive. Involvement throughout	Power of veto/approval over internal provider and design features and particularly location. Intervened re specific physical design, i.e. single bedrooms (continued)

Stakeholder group	Interest	Centrality/coordinating mechanism	Influence on service design
Trust	Strategic (unit) level. Winning tender vital for competitiveness, income generation	Representation on health authority PB/WG. Composition of trust level project team and direct communication with this	Decisions re service design – service mix, retail outlet/building, staffing etc.
General public	Location/accessibility. Nature of services and facilities	Involvement in public consultation exercise and survey and via local councillors at health authority level. PR company at trust level	Little eventually due to divergence of opinion
General practitioners	Described as a GP-run facility. Nature of services and working relationships. Particular concerns hospital location and number of beds	Direct representation in DPT and OPT. Consultation exercises	Successful in pressure for number of beds. Little generally. Described as “very vague ... happy to be guided by us”(DPT)
Patients	Location/accessibility. Nature of services and facilities (different sectors)	Indirectly through above and through service professionals and designers’ knowledge and perceptions of “patient-centred care”	Indirect but focus on patient-centred care throughout
Technical design team (private sector specialists)	Winning design. Future NHS work	Direct communication and consultation with DPT manager throughout	Responsible for “innovative design” – physical layout, heating, ventilation. Interrelates with staffing and operational issues as coordinated with DPT
Other service professionals – Paramedics	Working conditions. Patient-centred design	Consultation exercise. Project team representative	Location of specific services and increased flexibility
<i>Health service 2</i> Health authority	Linchpin of the whole mental health strategy. Creating a revolutionary approach to service delivery driven by government guidelines. Reducing potential negative impact of change on a variety of stakeholders	Set up coordinating group and subgroups – advocacy project. Direct communication with trust and with NHS management executive	^a Control over funding and ultimately pattern of services, skills profile and physical facilities

(continued)

Table III.

Table III.

Stakeholder group	Interest	Centrality/coordinating mechanism	Influence on service design
Trust	Specific criteria/health outcomes. Achieve inter-agency agreements – rapid communication and effective coordination across agencies and between key players. Securing funding through effective design. Cost control	Involved in health authority coordinating group. Employed external consultant which organised stakeholder conferences. No direct involvement in, but authority over local health centre project design group and design features	*Policies of local configurations, seven day opening and multidisciplinary teams. Philosophy, i.e. wide patient focus (revenue) and service mix. Staffing profile – pressure for less trained higher numbers. Location and nature of building – funding restrictions
General practitioners	Proximity and availability. A more comprehensive service with respect to both service mix and clientele, e.g. drug/alcohol and drop in services. Specialist staff ease of referral systems. Regular contact with CPN staff	Involved in stakeholder days. Represented on the design team	Provision of drop in centre and duty officer to provide telephone advice for GPs
Community psychiatric nurses (CPNs)/consultants	Ability to provide sufficient medical cover. Service mix – good psychotherapy services and range of other services, e.g. dietitians	Involved by Trust at early stage to work with external consultancy. Main invited participants to stakeholder conferences. Major role (core) in design team identifying other stakeholders for inclusion	Development of comprehensive service mix within the health centre philosophy developed at trust level. Veto over some services, e.g. alcohol and drug services not included. Worked with architects redesign of physical facilities
Users/patients/carers	Accessibility, availability, range of services	"Invited to stakeholder days"	"Awareness" of user and carer needs throughout. No direct influence recorded
External agency (academic)	Help authorities with implementation of comprehensive, locally based mental health services and to contribute to the development of national policy from experience	Appointed by trust. Organised stakeholder days	Developed generic policy – skills mix, recruitment policy and level of integration with other services/agencies

Note: ^a Some difference of opinion between interviewees as to whether the initial ideas for the health centre design emerged at health authority or trust level

impact on the nature of the final service, however, is dependent on the diversity of interests and managers' responses to them.

New service
development

Stakeholder relationships

Cooperation, trust and positive relationships generally were a recurring theme in all cases. Bank 2 emphasised the role of intermediaries: "they are perceived as customers ... their needs are central" and "we talk regularly with them ... they play an important role in design" (project team member). The impact of intermediaries, however, appeared to be an indirect one, created through shared relationship expectations rather than an identifiable involvement. The team leader's role was crucial, involving – awareness of the customer concept, appreciation of the wider organisational perspective and the implications of decisions upon IT systems and branches, reflecting the potential impact of various stakeholder groups.

One particularly important element of the hospital design project was the relationship of the project manager with the technical design team (TDT) (see Figure 3). These private sector professionals were, unusually for the public sector, employed directly due to reputation and previous work with the project manager. The perceived mutual benefits were apparent. One TDT member described how the trust's project team manager "received 125 per cent" effort in terms of their commitment to the design. The frequent communication between the two parties was often cited as a reason for the successful design process and outcome. Such relationships were also a key feature for bank 2, where design companies were employed due to previous relationships and reputation. Major contributory factors to the success of the relationship included "regular meetings and communication", informality and trust based on "personality and friendship" which is "quite unusual" (design company respondents).

There were, however, also many examples of conflicting perspectives and communication problems. For the hospital, at trust level, differences between some members were – "essentially irreconcilable" (HBPB member), and some local community meetings were considered "deplorable". The planned location in particular, created a divergence of opinion amongst the public, local politicians, GPs, consultants, hospital management, staff etc. The winning tender would result, as with the health centre project, in the decommissioning of existing facilities in addition to creating new, and issues such as job security and local community health care presence created intense feelings. Both case 3 and 4 were undertaken within an environment of adverse media and public attention focussing on the government's care in the community policy, hospital closure and rumours of privatisation. Internal stakeholder groups did not always agree and "did not always like what was fed back through the system" and "the day hospital was moved about more than I care to remember" (health centre manager).

Although only positive relationships had been highlighted, for bank 2 a potential area for concern was with respect to copyright. Given the collaborative and evolutionary nature of the NSD process, ownership is difficult to establish and should, according to one interviewee, be addressed early in the designer-client relationship in case any issues arise later. For bank 1, however, NSD created a forum for diversity of interests, often along functional lines (see Figure 1). A number of internal bank departments are key stakeholders in the NSD process, potentially influencing both

process and outcome. Information systems were regarded as a major constraint, directly impacting on the work involved at branch level and the customer's time. Legal information adds to product complexity, again perceived negatively by customers. With no line authority, project managers must negotiate with both these departments: with management services with respect to cost bases and externally with treasury for funding.

Differences in service design arise through negotiation, a feature of all cases. Although, the health centre design described here was one of the few local projects to achieve cooperation from GPs, substantial service mix changes were required as a result. Interviewees reported that GPs' perceptions of the core purpose of the health centre differed from those originally envisaged involving a more comprehensive range of services. Conflict between locality managers and clinical staff would subsequently create more change.

Stakeholder salience

Senior managers derive stakeholder power from formal position, network centrality, control of resources, decision premises and information (Daft, 2001). The four cases illustrated how senior managers generally exercised power through creating innovation strategies, coordinating structures (see Figures 1–4) and resource allocation. There were also several examples of direct involvement in the NSD process. One CEO (bank 2) was described as a “product champion”, active in supplier selection and design approval. The interrelationship of physical design with staffing and other costs was a major issue for the hospital case and the insistence of the health authority on single occupancy rooms (rather than four bedded bays) impacted on projected cost bases and ultimate design. Respondents from bank one highlighted how in the past, senior management had directed that new services be dropped. For the health centre, the decision of the trust to allow local autonomy directly impacted on the resulting configuration.

From the perspective of NSD teams, senior management is at least a dominant stakeholder group (their influence is assured) exercising legitimate power (for definitions see Table I). A high level of involvement also suggests urgency arising from the strategic significance of the innovation, personal interest, or consideration of other stakeholders. The hospital intervention, for example, was due to the health authority's concern for patient privacy and both public sector cases reflected the underlying government policy. Within the private sector, senior managers' responsibilities to shareholders are implicit throughout. Senior managers are then “definitive stakeholders” to which project managers must “give immediate priority” (Mitchell *et al.*, 1997).

Those included in coordinating structures specifically created for NSD potentially increase power through network centrality and consequently for the constituencies which they represent. Such increases are, however, constrained by the power bases and negotiating skills of group members. Here team leaders (or other key personnel) again establish which stakeholders will be “dominant”, for example distributors (bank 1), or “definitive”, such as design companies and other professionals (bank 2 and health service 1 respectively) based on mutual dependencies and recognition of legitimate power. Friedman and Miles (2002) suggest that where the relationship is necessary and compatible, stakeholders are likely to be more influential, but where necessary and

incompatible, their claims and criticisms must be answered. Here, "goals and decisions emerge from bargaining, negotiation and jockeying for position among different stakeholders" (Bolman and Deal, 1970). Changes to service design may be at variance with those preferred by the main NSD team (as illustrated in the functional divide for bank 2 and differences between GPs and other medical professionals in the health centre project). There were instances where project teams deliberately omitted, or intended to omit, some stakeholders from further involvement as a response.

In this study the spectre of the customer was ever present as many involved in NSD talked about "patient-centred care", "an interpretation of consumer needs" etc. Yet the customer never actually appeared. The reasons provided included, senior management's view that marketing research was too costly; that consumers are constraints on innovation; not possible within time constraints; patients lack relevant expertise and that patients needs are fully understood by staff. There were no instances where the final customer directly influenced outcomes (see Table III) and these comments suggest that managers do not perceive customers as having a legitimate role in the NSD process. Customers are "dormant stakeholders," i.e. they possess considerable latent power, as they can choose to use or not use the services, thus having a direct impact on the success of NSD, but no legitimacy or urgency and therefore little interaction with the organisation. Representation within coordinating structures was rare and usually communication was part of a wider public consultation for the health services (where divergence of interests resulted in little influence), or indirectly through front line staff for the banks. Bank staff were, however, also unlikely to be involved in development although their role in successful implementation was recognised and in particular, the need to communicate the new service features to them.

Agle *et al.* (1999) argue that for large public firms, urgency is the best predictor of stakeholder salience. Evidence in this study was the direct involvement of senior management, in addition to design company and project team, in dealing with local authorities as problems with planning permission could potentially disrupt implementation (bank 2). Additionally, trust management responded to negative media and public attention by employing a PR consultant.

Conclusion and implications

Marketing scholars (Srivastava *et al.*, 1999; Webster, 1992, 1997) describe product development management as a core business process, generating customer, and ultimately shareholder, value. Others emphasise that marketing's research domain should be expanded to incorporate key stakeholders, other than consumers (Greenley and Foxall, 1996, 1998; Slater and Narver, 1995). This cross-sector study, involving diverse NSD contexts, illustrates that services, as provided to customers, are an amalgam of stakeholder interests, expressed within a series of relationships and bargaining processes and filtered through permanent or temporary coordinating structures. Srivastava *et al.* (1999) argue that research questions dealing with the wider organisational context will become increasingly central to marketing's emerging empirical research agenda with the recognition, by both theorists and practitioners, that the relevance and success of marketing activity lies within the context of wider business processes. This perspective is particularly apposite for services where organisational boundaries are permeated by consumers who are involved simultaneously in both production and consumption.

The adaptation of Rowley's (1997) stakeholder network approach offers a useful framework for understanding both the nature of services and the NSD process itself. Mapping organisational features/coordinating mechanisms (as illustrated in Figures 1-4), combined with an examination of the nature of stakeholder relationships, can unravel the complexities of an evolutionary process that is far from linear. It is, for example, often difficult to establish from where ideas emanate, and decisions are likely to result from political, rather than rational, processes. Of particular importance is the way in which managers, at various levels, establish stakeholder salience potentially increasing their power and influence through, either inclusion in coordinating structures or through direct communication with key decision-makers. Increasing network centrality, structural, and potentially relational, embeddedness can be linked to firm performance (Rowley *et al.*, 2000) and positive relationships were cited as contributing to both NSD process and outcome success. Strong ties however may also create concurrence – seeking tendencies that negatively impact on innovation capability (Ayers *et al.*, 1997). There were instances where respondents highlighted intentions to increase project team representation in the future, however it was also indicated that, if possible, stakeholders who potentially offered divergent views/constraints would be omitted. For NSD managers other actors, such as senior managers or external regulators, also determine participation and influence. The cases highlight how stakeholder salience in NSD is established by managers at various organisational levels, who themselves then form part of the wider network. It is therefore necessary to conduct stakeholder analysis at the appropriate level (Clarkson, 1995). Senior management commitment and involvement is vital for NPD/NSD success (Gupta *et al.*, 1985; Hegarty and Hoffman, 1990) and was described in all four cases re-emphasising the strategic role of these processes.

Consumers were found to be dormant stakeholders, in that managers perceived them to be of little salience in the NSD process having little expert opinion and often preferring the status quo. The traditional role of marketing research found in the NPD literature did not feature in any of the four cases and “marketing” as a functional activity was represented only once (bank 1), even here playing a supplier rather than a key decision making role. Service satisfaction will be a function of the inclusion, in relevant coordinating structures, of those who, not only accurately represent consumers needs, wants and preferences, but also possess the power, legitimacy and skills to influence NSD. As Webster (1997) argues, “successful marketing organisations will have the skills necessary to manage multiple strategic marketing processes” and link “the voice of the customer to all . . . value delivery processes” (p. 64). A particular challenge is to make the voice of the customer heard amongst those of the many other stakeholders involved in the NSD process. For the public sector, the increasing pressure for collaboration and consumer involvement presents additional challenges. Conversely, marketing authors (Zeithaml and Bitner, 1996) emphasise the need to involve customer contact staff if services are to be delivered to a high standard. Staff involvement was more evident in the public sector where features of a professional bureaucracy (Mintzberg, 1987) suggest that employees have more power to influence organisational processes.

A key question for future research will be to examine whether, and in what circumstances, conflict produces a superior service. Implicit is a core problem, since adoption of a stakeholder approach significantly complicates assessment of success.

The wide range of stakeholders with an interest in public services, in particular, means that results and outcomes may be evaluated in different ways, and from a variety of perspectives (Emanuel, 1999; Ring and Perry, 1985). Consequently, the challenge of NSD may be greater in the public sector. The health service studies highlighted more complex structures and a wider variety of stakeholder groups represented in key decision-making units, although some differences can be attributed to the nature of the network of interdependent organisations that characterise the public sector (Boyne, 2002), rather than differences in ownership.

Such findings have major implications for the management of NSD and therefore for marketing practitioners involved in this process. Project leadership and management qualities, including effective co-leadership between different levels of organisation (Johns and Harbone, 2003), are associated with project and firm level performance (Howell and Shea, 2001; Markham and Griffin, 1998). The complex, multi-layered and multifaceted processes illustrated in Figures 1–4 highlight the need to manage multiple, potentially conflicting, interdependencies and stakeholder interests and often without legitimate power. Practitioners will increasingly require cognitive, social and behavioural skills to deal with such complexities and to be effective leaders. This perspective is again, particularly apposite for public services where people's ability to "apply collaborative skills and mind sets to the resolution or amelioration of complex problems" is crucial to success (Williams, 2002, p. 106). Increasing emphasis on NSD within radix structures and potentially involving public/private sector collaboration (such as that directed by the UK government's private finance initiative (PFI)) further increases the diversity of stakeholder interests and management complexities involved. The frameworks adopted here provide useful analytical tools with which managers can assess such interests and their potential impact on NSD.

A limitation of this study, however, is that the findings are confined to two service industries which, although major sectors of developed economies, may reflect peculiar characteristics, for example, with respect to the role of customers in NSD. Further studies will examine other sectors within this framework to determine how stakeholder influence differs across services and how this impacts on NSD processes and outcomes. A further limitation relates to the key informant approach that, although most appropriate here, has been criticised (Phillips, 1981). Potential problems were reduced, however, by including multiple informants to explore diverse perspectives, and by adapting an open style of questioning.

One final area for further research lies in the application of stakeholder frameworks to the development of international services. Innovation and internationalisation are two of the most important factors determining business success today (Golder, 2000), yet there is a lack of research concerning international services (Knight, 1999) and this is particularly true of international NSD. Research is needed to understand the ways in which stakeholders from diverse cultures voice their interests and how this influences NSD.

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Michael Jay Polonsky

Professor Michael Jay Polonsky is the Melbourne Airport Chair in Marketing at Victoria University in Melbourne Australia. He has previously taught at a range of institutions in Australia, New Zealand, South Africa and the USA. His areas of research include stakeholder theory, environmental marketing/management, ethical and social issue in marketing, cross-cultural studies and marketing education. He has published over 80 journal articles in a wide range of journals including *Journal of Business Research*, *Marketing Theory*, *Journal of Market Focused Management*, *Journal of Marketing Communications*, *European Journal of Marketing*, *Business Horizons*, *Journal of Marketing Theory and Practice*, *Journal of Business Ethics*, *Journal of Macromarketing*, *Journal of Marketing Management*, *International Journal of Nonprofit and Voluntary Sector Marketing*, *Business Strategy and the Environment*, *International Journal of Retailing & Distribution Management*, *Journal of Organizational Change Management*, *Journal of Business and Industrial Marketing*, *International Marketing Review*, *International Journal of Advertising*, and *Journal of Advertising Research*. He has also consulted for a range of businesses and governmental organisations.

Barry Quinn

Barry Quinn is a Lecturer in International Retailing at the University of Ulster, School of Business, Retail & Financial Services Coleraine, Northern Ireland.

Don Scott

Don Scott is Professor of Management at Southern Cross University, where he lectures in strategic management, international management, marketing, management science and research methods. His research interests are in economic evaluations and modelling, services marketing and strategic management. He has published articles in journals such as the *Applied Economics*, *European Journal of Marketing*, *International Journal of Advertising*, *International Journal of Physical Distribution and Materials Management*, *International Journal of Services Industry Management*, *International Migration Review*, *Journal of Business Research*, *Journal of Computer Information Systems*, *Journal of Strategic Marketing* and *Managerial and Decision Economics*. He has also been a consultant to a range of different companies in strategic management, marketing and forecasting.

Anne M. Smith

Dr Anne M. Smith is a Reader in Marketing at the Open University Business School. Her research interests are in the measurement of service quality (particularly in health, financial and professional services), internationalisation of services and cross cultural service quality evaluation and measurement, service design and the process and practice of reorganisation. She has published in a number of journals including the *Journal of Marketing Management*, *Journal of Business Research*, *Service Industries Journal* and the *International Marketing Review*.

University of Zurich and teaches at various institutions, focusing on marketing, international marketing, management, organisation and human resources management. Prior to be elected as Professor Rudolf Ergenzinger held a number of roles in industry and has consulted for a range of businesses and governmental organisations.

About the
authors

Linda Ferrell

Linda Ferrell, PhD is an Assistant Professor of Marketing at the University of Wyoming. She has published in the *Journal of Public Policy & Marketing*, *Journal of Business Research*, *Journal of Business Ethics*, *European Journal of Marketing*, *Journal of Teaching Business Ethics*, *Case Research Journal*, etc. Her research interests include marketing ethics, ethics training, and corporate social responsibility. She is co-author of *Business Ethics: Ethical Decision Making and Cases* (6th edition), *Business and Society* (2nd edition) and *Business in a Changing World* (5th edition). She has served as an expert witness in several business ethics cases. She is also involved with AACSB in developing the Ethics Education Resource Center (www.aacsb.edu). She is conference co-coordinator for the AACSB International Teaching Business Ethics Conference.

1217

O.C. Ferrell

Dr O.C. Ferrell (PhD Louisiana State University) is Chair of the Department of Marketing and Ehrhardt, Keefe, Steiner, and Hottman, P.C. Professor of Business Administration at Colorado State University and is Co-director of the Center for Business Ethics and Social Issues. Ferrell is the co-author of 17 books and more than 80 articles. His articles have been published in the *Journal of Marketing Research*, *Journal of Marketing*, *European Journal of Marketing*, *Journal of Business Research*, *Journal of the Academy of Marketing Science*, as well as other journals. He is past president of the Academic Council of the American Marketing Association and chairs the American Marketing Association Ethics Committee. Under his leadership, the committee developed the 2004 AMA Code of Ethics and the AMA Code of Ethics for Marketing on the Internet.

Moirra Fischbacher

Dr Moira Fischbacher is a Senior Lecturer in Strategic Management at the School of Business and Management, University of Glasgow. Her research interests are in the organisation and design of services, particularly in a network context. Studies to date have focused on structural and process aspects of multi-agency service provision, and have concentrated mainly on the health service setting. More recently, her interests have developed to include studies of Public Private Partnerships and the Private Finance Initiative. She has published in journals such as *Financial Accountability and Management*, *Public Money and Management*, and the *Journal of Management in Medicine*.

Don Getz

Dr Getz is Professor of Tourism and Hospitality Management, Faculty of Management, at the University of Calgary. Don conducted his advanced education at the University of Waterloo (Bachelor of Environmental Studies in Urban and Regional Planning), Carleton University (Master of Arts, Geography) and the University of Edinburgh, in