

# THE ROLE OF NETWORK TIES IN REACHING RADICAL INNOVATION THROUGH INSTITUTIONALIZATION

## *ABSTRACT*

**Purpose** – The purpose of this paper is to analyze how institutions can facilitate or inhibit radical innovation. The authors maintain that organizational radical innovation is necessary to maintain a competitive advantage and evolve in the market place, and institutions are the basis of this innovation. From an innovation and Service Dominant Logic perspective, the authors propose network ties to be a determining factor for the achievement of innovation through institutionalization in the University knowledge management context.

**Findings** – Changing institutional arrangements are the basis for innovation. Opening universities to the actors around them, with interest to exchange resources through the evolution in network ties towards a less bureaucratic and more collaborative and open University (*tertius iungens*) is the basis for reaching organizational radical innovation in the university context and develop the provider-driven radical innovation network structure University Living Lab theoretical model.

**Practical implications (if applicable)** – Although radical innovation is occasionally seen in systems and arises naturally in markets, it is interesting to consider the possibility of designing strategies that facilitate the process from the beginning of the design of the business model. In this sense, the present findings could help organizations in general and Universities in particular to devise strategies resulting in positive relationships that could facilitate the design of business model structures that provide the development of new institutions that result on new network ties which give rise to radical innovation through the attraction of new actors interested on exchanging service – for service resources.

**Originality/value** – The present paper develops a the provider-driven radical innovation network structure University Living Lab theoretical model, that puts on the University side the decision for reaching more open models based on the network ties change based on the design of new institutional arrangement. These concepts have not previously been put together to build on the theories of institutions and organizational radical innovation. The theoretical contribution is framed in the Service Dominant Logic perspective and specifically in the 11<sup>th</sup> fundamental premise (FP 11/ 5<sup>th</sup> axiom) to better understand how innovation occurs in service ecosystems and the provider has the possibility to develop such process through the institutional arrangements design.

**Key words** (max 5): Radical innovation, Service Dominant Logic, Value co-creation, network ties, systems of value co-creation.

**Paper type** –Research paper

## References

- Wasserman, S. and Faust, K. (1994), *Social Network Analysis: Methods and Applications*. Cambridge: Cambridge University Press.
- Abernathy, W. and Clark, K.B. (1985), “Mapping the winds of creative destruction”, *Research Policy*, Vol 14 No. 1, pp. 3 – 22.
- Leminen, S., Nyström, A.G. and Kortelainen, M.J. (2016), “The effect of network structure on radical innovation in living labs”, *Journal of Business & Industrial Marketing*, Vol. 31 No. 6, pp. 743 – 757.
- Vargo, S.L. and Lusch R.F. (2015), “Innovation through institutionalization: a service ecosystem perspective”, *Industrial Marketing Management*, Vol. 44, pp. 63-72.
- Vargo, S.L. and Lusch, R.F. (2016), “Institutions and axioms: an extension and update of service-dominant logic”, *Journal of The Academy of Marketing Science*, Vol. 44 No. 1, pp. 5–23.
- Koskela-Huotari, K. and Vargo, S.L. (2016), “Institutions as resource context”, *Journal of Service Theory and Practice*, Vol. 26 No. 2, pp. 163-178.
- Nicolajsen, H. and Scupola, A. (2016) “Investigating issues and challenges for customer involvement in business services”, *Journal of Business and Industrial Marketing*, Vol 26 No 5, pp. 368–376.
- Lusch, R.F. and Vargo, S.L. (2017), “Foreword”, in Russo-Spena, T.; Mele, C. and Nuutinen, M. Ed.), *Innovating in practice*, Springer, Switzerland, pp. v – vi.
- Russo-Spena, T.; Mele, C.; Nuutinen, M. (2017), “*Innovating in practice*”, Springer, Switzerland.
- Gummesson, E. (2017), *Case Theory in Business and Management: Reinventing Case Study Research*, SAGE, London.
- Azar, G. and Ciabuschi, F. (2017), “Organizational innovation, Technological innovation and export performance: The effects of innovation radicalness and extensiveness”, *International Business Review*, No 26, pp. 324–366.
- Vargo, S.L., Wieland, H. and Akaka, M.A. (2016), “Innovation in Service Ecosystems”, *Journal of Serviceology*, Vol. 1 No. 1, pp. 1 – 5.

**Leifer, O’Connor and Rice : Implementing radical innovation in mature firms.**

**Rajalo y Vadi: Technovation, University-industry innovation collaboration:**

**Reconceptualization**