DRIVING SUCCESS IN THE SERVICE BUSINESS: LEVERAGING TECHNOLOGY FOR OPERATIONAL ENHANCEMENT AND COMPETITIVE ADVANTAGE

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Abstract

Technology has transformed service industries, revolutionizing strategic landscapes and creating new opportunities for service-oriented businesses. According to resource-based views and service-dominant logic frameworks, technology can give service businesses a competitive edge by helping them improve their operations in many ways. Therefore, it is essential for service businesses to effectively integrate technology into their organizations to maintain long-term competitive advantages. This research explores the strategic considerations and challenges of integrating technology into service businesses from the perspectives of resource-based view and service-dominant logic. It concluded that service companies must innovate, adopt new technology, and collaborate with customers and employees to create and deliver new services. Technology should be central to the strategy of every service organization. The research implications, limitations, and future research areas are discussed.

Keywords: technology integration, service technology, service industry, competitive advantage, resource-based view, servicedominant logic, strategic technology management

JEL Classification: M15, M31, O33

1. INTRODUCTION

Advancements in service design and delivery have been groundbreaking, primarily due to the influence of technology. The role of technology as a tool for gaining a competitive advantage is clear across several service sectors. It has revolutionized the way services are provided and shaped customer behaviour, as seen through self-service in multiple businesses, selfcheckouts, internet banking, distance learning and communication, online food and goods purchases, and numerous e-tickets (Tilili et al., 2021).

With the advent of technology, we have seen numerous changes in how services are provided. This includes a growing dependence on self-service, enhanced accessibility, reduced relevance of physical location, and the use of IT-based asynchronous communication such as emails and the Internet (Iqbal et al., 2018). Additionally, synchronous communication methods like teleconferencing and videoconferencing have also gained popularity.

In these turbulent times, service managers are faced with numerous challenges, which include the following:

- Developing innovative approaches to provide value to customers by comprehending the influence of the Internet and diverse technological advancements on service delivery (Vargo et al., 2018; Wrede et al., 2020).
- Managing services globally despite significant variations in customer expectations and perspectives across different countries (Wirtz and Lovelock, 2021).

- Flourishing in an ever-changing business environment fueled by the continuous emergence of advanced technologies (Nagendra, 2020).
- Supervising a workforce where technology introduces new roles while sourcing and training employees from diverse and extensive demographics (Wirtz and Lovelock, 2021).
- Seeking to uphold or decrease prices while delivering superior service quality to meet the escalating demands of customers (Naumov, 2019).
- Integrating technology successfully has become a necessity for businesses in the service industry. Technology must be effectively incorporated into its strategy to progress a service firm's long-term objectives. This paper explores the strategic obstacles to integrating technology into service-based businesses.

This paper delves into the study of service technology management by using literature reviews to comprehend current theories and concepts and to identify potential areas for future research. In addition, it sheds light on strategies, challenges, and results in service technology management through the lens of real-world examples. By merging the findings from a literature review with genuine practical examples, we can gain a well-rounded understanding of theoretical frameworks while anchoring our results in practical applications and experiences.

The following research questions will guide the analysis of the impact of technology implementation on the service business:

• To what extent has technology-driven service revolutionized service delivery and customer behaviour across multiple industries?

- What are the key factors contributing to the successful integration of technology in service businesses?
- How can the Resource-Based View (RBV) and Service-Dominant Logic (SDL) frameworks be used to explain the role of technology in service businesses?
- How can service businesses leverage technology to gain insights into customer preferences, enhance operational efficiency, and foster value co-creation?
- What are the unique challenges and opportunities associated with technology management in serviceoriented businesses?
- How can research into technology integration specific to services help service-oriented businesses improve their performance?

In today's fast-paced and increasingly digital world, technology has become a fundamental driver of business success and a crucial factor in building a competitive advantage. Service businesses, in particular, rely heavily on technology to enhance their operations, streamline processes, and deliver exceptional customer experiences. The theoretical foundation supporting the importance of technology implementation in service businesses can be explored through two key frameworks: the Resource-Based View (RBV) and the Service-Dominant Logic (SDL).

The RBV suggests that a firm's competitive advantage stems from its unique bundle of resources and capabilities (Barney, 1991; Peteref, 1993; Grant, 1991). Technology is a valuable resource that enables service businesses to differentiate themselves and create a distinct competitive advantage. By implementing advanced technologies such as customer relationship management (CRM) systems, data analytics tools, or artificial intelligence (AI) applications, service businesses can gain insights into customer preferences, tailor their offerings, and provide personalized experiences (Kuscar et al., 2018; Draskovic, Such technological capabilities 2022). improve operational efficiency and enable businesses to understand customer needs better, enhance service quality, and ultimately differentiate themselves from competitors (Wernerfelt, 1984; Teece et al., 1997).

The SDL framework emphasizes value co-creation between service providers and customers (Vargo and Lusch, 2008; Vargo and Lusch, 2004; Lusch and Nambisan, 2015). Technology facilitates this co-creation process by enabling seamless interactions, real-time communication, and personalized service delivery. Through technology integration, service businesses can offer self-service options, automate repetitive tasks, and provide convenient digital platforms for customers to access services. This enhances customer satisfaction and engagement and increases operational agility and scalability (Lusch and Nambisan, 2015). Businesses can foster strong relationships, build loyalty, and gain a competitive advantage by leveraging technology to empower customers and involve them in the service delivery process (Lusch and Vargo, 2006).

Moreover, technology implementation in service businesses facilitates innovation and agility and is vital for maintaining competitiveness in dynamic markets. According to Lusch and Nambisan (2015), service businesses can adapt to changing customer demands by embracing emerging technologies such as cloud computing, mobile applications, or Internet of Things (IoT) devices, rapidly respond to market trends, and develop innovative service offerings. Technology-driven innovation opens new avenues for service businesses to explore, expand their reach, and create novel customer experiences, setting them apart from traditional competitors and potential disruptors (Vargo and Akaka, 2009).

2. MANAGEMENT OF TECHNOLOGY IN SERVICE BUSINESSES

The importance of technology in gaining and preserving a competitive advantage in various service businesses cannot be overstated. These service technologies are often termed "knowledge technologies" (Garavelli et al., 2002). These technologies represent the collection of ideas that articulate the objectives of the work, its functional significance, and the reasoning behind the methods (Kim, 2019).

Implementing technology in service operations presents several challenges for a company, as traditional manufacturing-based tactics might not be suitable. This is primarily due to the difficulties in applying the manufacturing transformation process model to service operations, as Jantti and Cater-Steel (2017) pointed out. Since services cannot be stored, inputs and outputs should be considered waiting areas for customers to enter or exit. Consequently, the transformation is limited to the direct interaction between the customer and the service provider. However, this perspective neglects various crucial elements of service operations. Firstly, technology can be implemented beyond the interaction or transformation process and serve all stages of the service production system, not just the transformation process. Secondly, the transactional nature of the interaction in the transformation process encourages repetition, bypassing, and termination.

Consequently, the transformation process might involve several typical informational subprocesses, but these establish a cyclical rather than a linear sequence. Lastly, due to the interactive nature of many services, unintentional or incidental transformations can occur at any system phase. Customers may gain insights, inspiration, or instant learning within this process. In summary, the delineation between inputs, transformation process, and end outputs is often blurred in the service production procedure, which frequently has little resemblance to a traditional manufacturing setting.

The distinction between industries centred on manufacturing and those centred on services often has wide-ranging implications. For instance, Barras (1986) presents the well-known "product cycle theory" of innovation in exploring how new technologies spread in the service sector. This theory suggests that innovative waves in a specific technology slowly transition from product innovations, which result in new devices, to process innovations that improve the quality or functionality of existing devices. In contrast, a differing innovation process, possibly termed a "reverse product cycle," is typically based on empirical studies on implementing information technology in the service industries. Therefore, the fundamental ways product and process development progress may vary.

In the context of applying knowledge technologies to solve customer problems, there are notable differences. For instance, to deliver a service, a direct interaction between the customer and the service provider is necessary (Lopez-Bonilla and Lopez-Bonilla, 2014). This interaction leads to an exchange of information and commitment between the two parties. This essential interaction brings about several additional consequences. First, the range of consumer responses is remarkable due to these numerous interactions. Second, service technologies require a high capacity for processing information at the technological core. Lastly, service technologies depend heavily on the customer to provide the information that acts as the foundation for the work performed and often incorporate the customer's efforts into the service production process. This suggests that the consumer plays a role in creating their own needs.

3. TECHNOLOGY INTEGRATION TO BUILD COMPETITIVE ADVANTAGES IN SERVICE BUSINESSES

A company must incorporate technology into its organization to gain a competitive advantage. This can be achieved by enhancing its effectiveness and efficiency, which benefits its customers. As per Davis et al. (2011), there are three key areas where technology can significantly elevate a company's success: Concentrated strategic planning, Improved performance, and Enhanced efficiency.

Strategic Planning

Strategic planning involves formulating and implementing long-term goals and strategies to achieve a competitive advantage. By integrating technology effectively into strategic planning, service businesses can identify innovative approaches to provide value to customers and stay ahead of their competitors. This includes leveraging technology to enhance customer experiences, optimize operational processes, and drive innovation.

A strategic plan takes a future-focused perspective on how a business should run. Numerous strategic decisions tied to technology are made within a firm: (1) How can we pinpoint the most appropriate technology for our business? (2) What skills are necessary to procure, develop, implement, or market this technology? (3) How should our business be structured to capitalize on technological advancements? (4) How much investment is needed to sustain elements that add value and secure a strategic competitive advantage? (McDermott et al., 2001).

Technology is pivotal in many service companies' competitive advantage strategies (Quinn, Doorley, and Paquette, 1990; Lewis, 2002; Kang, 2005; Lema, 2009). Hence, businesses must clearly understand how technology integrates into their strategic plans if they aim to utilize it to gain a competitive advantage. For example, a renowned healthcare provider, Mayo Clinic, emphasizes patient-centered care and research. Their strategic plan involves a commitment to medical research, education, and patient care and expanding their global presence (Mayo Clinic, 2022). ATandT, a major telecommunications company, has a strategic plan to expand its network infrastructure, offer innovative products and services, and diversify into content creation and distribution through acquisitions like WarnerMedia (ATandT Annual Report, 2020).

According to Fleming (1991), four key questions must be answered: What is at the core of the competition? It needs to be determined whether technology is a vital part or just one of many crucial factors. What technological expertise is required to compete? Identifying critical applications, processes, and product svstems. technologies is essential. How well-positioned are you with these technologies? This is where comprehensive benchmarking and competitive intelligence come into play. What is your technology strategy? A company must decide whether to be a leader or follower, build alliances or partnerships, form joint ventures, or combine these. Once the role of technology is clearly defined, its usage, resource allocation, and management can be significantly improved.

Each business, or significant business division, possesses a technology strategy. However, this strategy is typically implicit, not explicit, and must be deduced over time from management decisions and objectives for resource allocation (Peteref, 1993). Firstly, the company's senior management must contemplate how technology will contribute to a competitive advantage, growth, and profitability in its strategic plans. The technological endeavour can then be resourced and assessed in relation to these objectives (Barney, 1991). Secondly, a comprehensive understanding of the company's fundamental purpose must be the basis for all technological decisions. Lastly, integrating technological shifts into a company's strategy will facilitate the execution of new strategies centred around common goals. In conclusion, implementing a suitable strategy and associated technologies can yield substantial revenues and market share. If this fails to occur, the business may risk losing customers to its competition.

Performance and Quality Improvement

Improved performance is a crucial outcome of successful technology integration in service businesses. Technology enables businesses to streamline operations, automate manual tasks, and optimize resource allocation (Jäntti and Cater-Steel, 2017). As a result, service businesses can deliver services more efficiently, with higher quality and reliability. Improved performance translates into customer satisfaction, loyalty, and positive brand perception, which is vital to a competitive advantage.

Service managers must realize that embracing technology is frequently driven by the aspiration to enhance operational performance rather than merely boosting productivity. Nevertheless, with the right technology, performance and productivity can be simultaneously elevated, leading to a mutually beneficial scenario for the company (Landers and Marin, 2021).

Customer Service

Technology has significantly cut down and, in some cases, wholly eradicated customer waiting times. It can expedite services while reducing labour costs by minimizing customer and provider interaction. For example, many hotels now allow guests to check out their rooms without human interaction (Yang et al., 2021). The guests follow the easy instructions provided on their room's television, leave the room keys behind, and do not need to check out at the front desk. This eradicates any waiting time for guests and reduces the need for a large front desk staff.

Disney introduced the FastPass+ system, allowing visitors to book ride reservations in advance and reducing waiting times in lines at its theme parks. Visitors can schedule their preferred rides and attractions, reducing queuing time (Bearden, Ingram, and LaForge, 2017). This initiative has dramatically improved the overall customer experience at Disney theme parks.

Knowledge of Customers

Many service providers maintain databases to deliver comprehensive details to management about their customers' purchasing habits and prior interactions with the company (Henderson et al., 2011). Take the Ritz-Carlton hotel as an example; they emphasize personalized service and track guest preferences through their data management system, including specific details like the mattresses they prefer and their favoured wine brands. Moreover, any past incidents involving customers, especially complaints, are recorded in the database to prevent future recurrence. This database also records habitual complainers, who might eventually be asked to take their business elsewhere.

Membership cards are another technological method to gather specific customer data (Hofman-Kohlmeyer, 2016; Arifin, 2023). Many retail businesses either make it obligatory for customers to have membership cards or offer discounts to incentivize their usage. They collect various data from membership cards, including customer demographics, purchase history, and shopping preferences. This data can then be used to improve customer service, target marketing campaigns, and develop new products and services (Hofman-Kohlmeyer, 2016). For instance, membership to Sam's Club, Costco, and BJ is necessary. Additionally, several supermarket chains have recently introduced free membership cards, offering customers significant product discounts and enabling companies to monitor customer purchases.

Netflix is a leading streaming service that has transformed how people consume entertainment. By leveraging technology, Netflix offers a vast library of movies and TV shows for on-demand viewing, personalized recommendations, and content produced in-house (Netflix, 2021). Its technology-driven approach has disrupted traditional cable and broadcast television.

By leveraging suitable technology, a service provider can gain insights into customers' unique purchasing behaviour and past interactions (Rigby, Reichheld, and Schefter, 2002). This information can enhance customer relationships and achieve a competitive advantage.

Product Customization

Technology empowers service managers to present an array of choices to their customers that were not formerly available. The emergence of "mass customization" is primarily attributed to technological progress that enables companies to discern and deliver highly tailored products and services to many customers (Kumar, 2007).

For example, Levi Strauss offers customizable jeans through its Levi's Tailor Shop (Jost and Süsser, 2020). In this case, the exact measurements of the customer are input into the computer at the store outlet, and shortly after, the customer gets their personalized jeans delivered to their home. The customer does not need to visit the store; any subsequent pairs can be ordered by phone.

Syam et al. (2005) investigate the competitive market for mass-customized products. In their study, they explain the customization process at L.L.Bean. Many of the products sold by LL Bean, a mail-order company based in Freeport, Maine, can be monogrammed with the customer's initials. Operators of automated sewing machines can rapidly select the style, size, and letter(s). Before the monogram is stitched onto the product, the operator can preview how it looks on a monitor above the sewing machine. Once everything is to their liking, the monogram is immediately embroidered onto the product at the touch of a button. To customers, monogramming is a great way to customize their LL Bean products and make them unique to customers or as a special gift.

4. EFFICIENCY AND PRODUCTIVITY ENHANCEMENT

Enhanced efficiency is closely linked to improved performance. By leveraging technology, service businesses can achieve greater efficiency in their operations, such as resource utilization, process optimization, and communication (Frei, 2006). For example, artificial intelligence, data analytics, and automation can help service businesses analyze large datasets, identify patterns and trends, and make datadriven decisions. Uber utilizes artificial intelligence and data analytics to predict demand patterns and adjust pricing dynamically through surge pricing (Uber Engineering, 2018). This system helps balance supply and demand, ensuring riders get a ride when needed and that drivers maximize their earnings. It is a data-driven approach to pricing and allocation. These efficiencies enable service businesses to offer customers faster, more responsive, and cost-effective services.

As previously mentioned, the initial shift toward technology was partly driven by the need to reduce operational costs. This still serves as a persuasive reason to invest in new technologies. Additionally, in a service context, technology can be used in the same way capital equipment is often used to slash costs in a manufacturing firm. The two main strategies to boost efficiency or productivity are (a) attaining economies of scale and (b) cutting labour expenses, with some degree of overlap between the two.

4.1. Economies of Scale

Thanks to advancements in communication technology, service organizations can now consolidate their facilities for various activities. Take, for instance, reservation contact centres for hotels, airlines, and car rental firms, which have been centralized into a few core locations. This consolidation allows a more significant number of operators to be stationed in one area, leading to economies of scale in these more extensive operations. For instance, if the number of calls received within an hour doubles, the number of operators needed to maintain the same service level is less than doubles. The reduced overhead costs linked with more extensive facilities exemplify economies of scale.

The Mayo Clinic, a renowned healthcare organization, has expanded its telehealth services using advanced communication technologies. Patients can now access medical consultations and services remotely, reducing the need for physical clinic space and allowing Mayo Clinic to serve patients more efficiently (Mayo Clinic Staff, 2022).

Further savings are realized by situating these services in areas with lower costs. This is why Citibank's credit card operations are located in South Dakota (Coates and Scharfstein, 2009). Similarly, many hotel chains keep their central reservation systems in Omaha, Nebraska, instead of the higher-cost West or East Coasts.

4.2. Labor Costs and Support

Technology can significantly reduce labour costs in two distinct ways. Firstly, technology can be leveraged to substitute human labour entirely. Secondly, it can augment the existing labour force, increasing labour productivity. There are numerous ways in which technology can replace labour (Li et al., 2018). For instance, in the banking sector, automated teller machines (ATMs) have effectively replaced traditional bank tellers for many standard tasks at a fraction of the cost. Consequently, bank customers should utilize ATMs for specific transaction types.

Companies can also leverage the Internet as a means to replace labour. For instance, Frey and Osborne (2017)

predict that 47% of US jobs are at risk of being automated by 2030. They cite the Internet as one of the critical drivers of this automation, as it allows for the development of new software and algorithms that can perform many tasks that humans previously did. In their book "The Second Machine Age," Brynjolfsson and McAfee (2014) argue that the Internet is leading to a new era of automation in which machines can perform many tasks that humans previously did. They cite examples of companies using the Internet to automate tasks such as customer service, accounting, and manufacturing.

Nevertheless, it is essential to exercise caution when considering the complete integration of automated services. Firstly, specific industries remain hesitant towards automation, as previously mentioned. Additionally, while automation effectively handles routine tasks, more intricate and personalized transactions may require direct interaction with a knowledgeable service provider (Liebert, 2019).

Additionally, automated technology can be leveraged to carry out monotonous and repetitive tasks in service operations. Utilizing technology enhances workforce productivity and reduces or eradicates errors, thereby delivering a more reliable product to the customer (Naumov, 2019). In some instances, technology can also boost performance by providing rapid service.

For instance, many fast-food outlets do not necessitate servers to stay near the machine. The beverage flow starts with a simple button press, freeing up the server to assemble the rest of the order while the drink is prepared. There are other instances of technology in fast-food restaurants: kitchen automation systems that use robotics and conveyor belts to prepare certain food items, such as burgers and fries. For example, Flippy, a robotic burger flipper, was adopted by some CaliBurger locations to automate the cooking process (TechCrunch, 2018).

The use of automated order-entry systems by waiting staff negates the need for them to traverse the restaurant to relay orders to the kitchen. For example, fast-food chains like McDonald's have introduced automated ordering kiosks in their restaurants. These kiosks allow customers to place orders without the need for a cashier. Moreover, it reduces their kitchen trips to just one – they no longer have to place the order and then return to pick it up once it is ready. They need to make one trip.

Combining strategic planning, improved performance, and enhanced efficiency creates a synergistic effect that contributes to building a competitive advantage in the service industry (Douglas, 2018). Service businesses that strategically integrate technology into their operations are better positioned to meet customer expectations, differentiate themselves from competitors, and adapt to changing market dynamics. Ultimately, this enables them to achieve sustainable growth, profitability, and a strong market position, giving them a competitive advantage in the industry.

5. DISCUSSION AND CONCLUSION

The impact of technology on services is an important and evolving topic, and analyzing it through the resourcebased view and service-dominant logic frameworks provides valuable insights. In the past, "service" was associated with low-wage jobs and customer complaints, creating a negative perception. However, technological advancements rapidly transform the service industry, offering new opportunities and challenges.

Technology allows for reevaluating and redesigning service procedures, replacing monotonous, low-wage jobs with higher-paying, skilled positions. This benefits both customers and service providers, as customers receive faster service at a lower price, while providers reduce expenses and improve employee wages and career prospects. Additionally, technology raises customer expectations by setting new standards for service quality. Information technology enables data sharing and analysis, reducing errors and facilitating quick problem-solving. Customers now expect ongoing improvements in service operations, similar to the manufacturing sector.

Forward-thinking companies recognize the transformative nature of technology and adapt their strategies accordingly. They enhance customer interaction, automate processes, and provide consumers with more options, information, and access (López-Bonilla and López-Bonilla, 2014). However, embracing these changes requires innovative business practices and customer engagement approaches involving stakeholders' redistribution of skills and knowledge.

To succeed, service companies must embrace innovation, adopt new technology, and actively involve customers and employees in creating and delivering new services. Technology should be an integral part of the strategic framework for any service organization. However, service managers must also recognize the importance of highly skilled staff in executing technology-driven strategies.

Interest in technology management within the service industry has recently increased among scholars and professionals. Technological advancements present significant opportunities and threats for service businesses, reshaping their strategic landscape. Incorporating technology strategically and aligning it effectively can significantly impact value-added activities. Furthermore, technology has revolutionized job roles, recruitment, and training processes, enabling companies to access a diverse talent pool and facilitate remote work and online training opportunities. Technology's impact on service quality is profound, with automated systems and artificial intelligence (AI) allowing for price maintenance or reduction while delivering higher standards. Service businesses must effectively leverage the potential of technology to meet the demands of discerning customers.

The findings of this paper have several managerial implications for service businesses. Service managers should actively incorporate technology into their longterm strategic planning, identify the right technologies, acquire necessary skills, and align technology initiatives with overall business objectives. Technology should be leveraged to improve service performance and quality, reduce customer waiting times, gather customer insights, and offer personalized services. Efficiency gains can be achieved by adopting technologies that reduce labor costs, automate routine tasks, and optimize resource allocation. However, a balance must be struck between automation and personalized customer interactions. To enhance trust and reputation, managers must also consider the ethical implications of technology use, including data privacy, security, and impact on employees.

In conclusion, technology integration is crucial for service businesses. This paper has outlined the theoretical foundations and practical implications of technology use in service management. However, further research is needed to deepen our understanding of this dynamic and evolving field. Empirical studies should assess the actual impact of technology integration on service businesses, including customer satisfaction, financial performance, and competitive positioning. Comparative studies across different service sectors can identify sector-specific challenges and opportunities related to technology adoption. Research should also explore the ethical, legal, and societal implications of technology use in services, addressing privacy, cybersecurity, and employment impact. Additionally, in-depth case studies of individual service businesses can offer practical insights into successful technology implementation and challenges faced in different contexts. Service managers must continually adapt and innovate to harness the full potential of technology in delivering exceptional customer experiences and maintaining a competitive edge in the ever-changing service landscape.

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