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Preliminary Master Thesis Report - Developing the Norwegian Innovation Index: An investigation on how corporate image comes into play

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Developing the Norwegian Innovation Index: An investigation on how corporate image comes into play

Preliminary Master Thesis Report

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1. Introduction

1.1 Innovation landscape in Norway

Continued innovation of products, services, technology and the organization itself has been long recognized as a key success factor of a company. Particularly against the backdrop of a constantly evolving competitive business environment and sky-high customer expectations, many corporates are shifting towards building a culture of innovation and change.

For a long time, Norway's poor ranking in international surveys of innovation capacity, such as Eurostat's large-scale Community Innovation Survey (CIS) and Innovation Union Scoreboard (IUS), have raised cause for concern. (Wilhelmsen, 2012) For example, Norway was ranked only as a "moderate innovator" in the cross-national level in the EU Commission's annual Global Innovation Index (GII), performing below the EU average for most dimensions and indicators, and lagging behind its Scandinavian counterparts, Sweden, Denmark and Finland, which are considered as "innovation leaders" (EU 2015). It appears to be a paradox that Norwegian companies scored low on innovation capacity indicators despite demonstrating consistent growth within several industries.

Various Norwegian organizations have pointed out that such poor rankings is largely due to limitations in the survey methodology adopted, in which many of the existing indices measure a combination of innovation and research and development (R&D) activity, which fails to accurately reflect the actual state-of-art in terms of innovation activities. Norway's business structure, among other aspects, is predominantly based on raw materials – companies may not carry out as much R&D activities, and yet be active in conducting innovation activities. In response to this, the Research Council of Norway and Innovation Norway jointly developed a new survey reflecting product innovation, process innovation, organizational innovation and marketing innovation, which revealed a 15% increase in the number of Norwegian companies reporting innovation activities compared to previous surveys and puts Norway's level of innovation on a par with the other Nordic countries. (Boldstad and Lie, 2014) Arvid Hallén, Director General of the Research Council of Norway, has emphasized the need to collect good, reliable knowledge of the actual state-of-the-art, so that firms can design even more effective measures to further enhance innovation capacity in Norway.

Related to the necessity of developing appropriate innovation indices with the ability to offer relevant insight to firms within the Norwegian context, another key limitation of existing innovation indices is that they are based broadly on information collected at either the firm or national level from public/private statistical databases and/or sources. They tend to adopt an overall top-down and inside-out perspective, assessing either the general innovation climate in a country or firm's overall innovation efforts. However, the existing innovation indices fail to capture what type of innovations and innovating firms were received favorably by customers. As such, there exists a major gap in terms of a well-developed instrument to accurately measure innovation from the perspective of the customer.

1.2 The Norwegian Innovation Index (NII)

To fill this gap, Lervik-Olsen, Kurtmollaiev and Andreassen (2016) recently developed the Norwegian Innovation Index (NII). The NII differentiates itself from existing innovation indices by defining its own innovation indicators relevant for Norwegian firms, adopting a novel outside-in, bottom up approach to measure a firm's overall innovation efforts and incorporating the consumers' perspective. The constructs currently included in the model comprise of changes in innovation, emotional satisfaction, cognitive satisfaction, perceived firm innovativeness, perceived relative attractiveness as well as customer loyalty. Rather than being an objective assessment, the NII offers a subjective perception based on consumers' direct and indirect experiences with a firm's changes in innovation. It serves as a strategic tool for managers by enabling the firm to measure its ability to create and renew customer's expectations, identify the types of innovations favored by customers, and as a result develop appropriate innovation strategies that positively impact customers.

1.3 Developing the Norwegian Innovation Index (NII): adding corporate image to the model

The NII model provides invaluable insights into relevant factors that managers should take into consideration in their innovation efforts to influence customers' perceptions. However, it is relatively new in comparison with alternative innovation indices and yet to be extensively further developed upon by other researchers or academics. We believe that there are potentially additional important and interesting variables/factors that are worth investigating into in relation to the current model.

Specifically, one of the most important assets of an organization is the firm's corporate image. Much research has shown that a good corporate image tends to increase corporate worth and provide a firm a sustained competitive advantage. A firm is likely to achieve its objectives more easily if it has a good image held by its stakeholders, especially key stakeholders such as its customers. At present, there is very limited research done on the linkages between innovation and corporate image. Given the significance of corporate image on a firm's overall performance in the marketplace, we believe that this warrants further investigation into, particularly within the context of the NII.

As such, the purpose of our research is threefold:

1. The overall objective of our study is to ***further develop the NII model***, by ***including an additional construct, corporate image***, to the model.
2. We aim to provide important ***theoretical contributions to the literature***, by answering the research question ***"How does corporate image influence the variables within the NII and most crucially, perceived firm innovativeness by customers?"***. Through surveys and statistical analyses, we will investigate the mechanisms through which corporate image influences key variables, such as perceived firm innovativeness and customer loyalty.
3. Finally, we aim to shed valuable ***insight into what these relationships might mean in a practical context*** and suggest ***key managerial implications*** that firms should bear in mind when conducting innovation activities.

1.4 Developing the Norwegian Innovation Index (NII): in the context of the Norwegian banking industry

Our research will focus on the banking industry within Norway. Our motivation for studying this industry is twofold. Firstly, this is a sector that is relatable to a large majority of the population in Norway as nearly every person is a customer of a bank and would have had personal direct and indirect experiences with banking services. Secondly, the Norwegian banking industry is currently at a crossroads in terms of innovation as technology has driven unprecedented change, with mobile and online especially revolutionizing the banking landscape. While innovations in payments have been ahead of the curve, the entire banking value chain is foreseen to be impacted at some point in the near future. (Macchi, Levi and Westland, 2016). As such, from a customer-centric perspective, having detailed knowledge on how customers fundamentally perceive such changes in innovation and the mechanisms linking different factors will be crucial for banks riding the wave of innovation, as this will ultimately impact firm market share, profitability and performance.

1.5 Structure of the preliminary master thesis report

In the next section, we begin with the literature review and discuss the existing theories relevant to the NII, highlighting the gaps and limitations in the existing literature. Relevant theory include those associated with changes in innovation, emotional and cognitive satisfaction, corporate image, perceived firm innovativeness, perceived relative attractiveness as well as customer loyalty. We then formulate our hypotheses sequentially based upon these theories, which we aim to test in subsequent periods. As a summary of the literature review, we present our conceptual model based on the NII in Section 3, with a description and explanation of how the model works. Section 4 details the methodology (ie. through surveys and quantitative research) that we will adopt for our research topic, while Section 5 introduces some considerations of research ethics that we will take into account when conducting our research. Finally, aided with a concrete timeline, we highlight our implementation plan for the next months before presenting our conclusion.

2. Literature review

In this section, we will explain relevant theories, identify gaps in the literature, and introduce new hypotheses for subsequent testing. We highlight that as our research is based on the existing NII model, some of the hypotheses included in this section will be a replication of previously tested hypotheses in Lervik-Olsen, Kurtmollaiev and Andreassen (2016). In such cases, the intention will not be to fill a gap but instead to verify the findings by Lervik-Olsen, Kurtmollaiev and Andreassen (2016) in our specific research context.

2.1 Innovation

For an organization, “innovation” is not only limited to innovation of technology or product. Drucker (1974) suggests that “innovation is not an exclusive terminology for technology and it should also be a vocabulary for economics and society” and its scope includes changes in management knowledge or economic systems. The objective of corporate innovation is to strengthen corporations’ external competitiveness and enhance internal capabilities through product or process innovation (Geroski, 1994). Notably, Lervik-Olsen, Kurtmollaiev and Andreassen (2016) identifies four key dimensions or areas in which companies can innovate in a business, which influence the evaluations by customers of a company’s ability to innovate, in the following section.

2.1.1 Innovation in core service (“what service is delivered”)

This relates to innovation in the actual service delivered, or the company's services which are most directly related to their core competencies (Kotler, 2010). Core services are targeted to a specific job that the customer is trying to get done, that is, a need the service provider aims to fulfill for a customer in a specific consumption situation. This may include a telecom provider offering access to communications and data, or a grocery store selling food products to customers. Core service innovation is then the discovery of ways to help the customer get a core job done better with new or improving existing services, with the focus on improving the outcomes for customers of a core job (Bettencourt, 2010).

The core service was found to influence customer satisfaction in terms of emotional, cognitive or both (Lervik-Olsen, Kurtmollaiev and Andreassen, 2016). As customers discern innovation in the core service, they are likely to experience greater satisfaction as they are able to “get the job done” and needs satisfied better than before. To test to what extent the perceived changes influence either emotional or cognitive satisfaction, we introduce the following two hypotheses to investigate how customers experience satisfaction of their need “to get the job done”:

H1a: Perceived changes in core service has a positive influence on emotional satisfaction.

H1b: Perceived changes in core service has a positive influence on cognitive satisfaction.

2.1.2 Innovation in service delivery ("how service is delivered")

This relates to innovation in the ways through which a service is operated, facilitated and managed, in order to achieve a satisfactory level of performance. Innovative service processes include new or improved solutions in production, delivery, or distribution methods, which boost the flexibility, simplicity, availability and efficiency of a transaction and typically involve incorporating new information technologies. Typical forms of innovation include increased accessibility and changes in the degree of self-service. Through service delivery innovation, customers are exposed to innovation cues upon experiencing greater ease and efficiency in consuming a service and are likely to be more satisfied emotionally and cognitively:

H2a: Perceived changes in service delivery has a positive influence on emotional satisfaction.

H2b: Perceived changes in service delivery has a positive influence on cognitive satisfaction.

2.1.3 Innovation in customer relations ("who service is about")

This refers to innovations in different aspects of the communication between a firm and its customers, which could be direct between employees and customers, or through service systems that customers interact with repeatedly which result in customers developing some kind of relationship with the service provider. Innovations in customers relations include loyalty and community-building programmes. Examples could include new channels to connect with and interact with the firm or other consumers, or new ways to earn rewards or obtain support. As customers are exposed to innovation cues upon experiencing enhanced customer relations and having a stronger relationship with the firm, they are more likely to feel greater emotional and cognitive satisfaction:

H3a: Perceived changes in customer relations has a positive influence on emotional satisfaction.

H3b: Perceived changes in customer relations has a positive influence on cognitive satisfaction.

2.1.4 Innovation in the servicescape ("where service is delivered")

According to Bitner (1992), the servicescape is "the physical environment in which a service process takes place". Apart from the physical store however, the service environment could also include the virtual servicescape (e.g. virtual store, mobile app or internet home page), or a combination of both the physical and virtual. Innovations in the physical servicescape include changes in the design or layout of the firm's physical facilities, while innovations in the virtual service environment could include revamping the style or design of a firm's web page or mobile app. Through innovation in the servicescape, customers are exposed to innovation cues upon being exposed to a more user-friendly or pleasant servicescape, they are likely to feel greater emotional and cognitive satisfaction:

H4a: Perceived changes in servicescape has a positive influence on emotional satisfaction.

Alternatively:

H4b: Perceived changes in servicescape has a positive influence on cognitive satisfaction.

2.2 Customer satisfaction

There are two different definitions of customer satisfaction, which explain customer satisfaction as either a process or an outcome. Many studies have also construed customer satisfaction as an evaluative process, or an evaluation of an emotion (Hunt, 1977). For example, customer satisfaction has been defined as "an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative" (Engel and Blackwell, 1982), and as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption" (Tse and Wilton, 1988). On the other hand, some literature has also defined customer satisfaction as an outcome resulting from the consumption experience. Westbrook and Reilly (1983) states that customer satisfaction is "an emotional response to the experiences provided by, associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace".

According to the frequently referred to expectation disconfirmation theory (Oliver, 1997; Tse, Nicosia and Wilton 1990), consumers compare their perceptions of product or service performance with a set of standards or expectations around relevant attributes. Consumers are said to be satisfied when actual outcomes exceed expectations (positive disconfirmation), dissatisfied when expectations exceed outcomes (negative disconfirmation), and just satisfied (zero or simple disconfirmation) when outcomes match expectations (Oliver, 1981). In the innovation context, confirmation or disconfirmation of expectations generally depends on the perceived performance of the innovation, as users compare innovation performance to expectations when making satisfaction evaluations.

2.2.1 Dimensions of customer satisfaction: cognitive satisfaction and emotional satisfaction

To understand its underlying dimensions, we break down customer satisfaction further into two components. Many researchers have considered customer satisfaction as a construct comprising of two dimensions, cognitive satisfaction and affective or emotional satisfaction, for example as suggested by Oliver (1997). Kunz, Schmitt and Meyer (2011) shows that customer loyalty is impacted by perceived firm innovativeness via two processing routes, a functional-cognitive route linked to cognitive satisfaction, and an affective-experiential route linked to emotional satisfaction. Numerous studies have examined the relationship between cognition and emotion in explaining human behavior, adopting different directions of influence between cognition and emotion. Much research show that cognition and emotion are conceived as a continuous and inseparable stream of behavior (Izard, 1984; Lewis, Sullivan and Michalson, 1984) since both factors tend to shape each other in a reciprocal manner (Lazarus, 1991).

In the context of innovation, Athanassopoulos Gounaris and Stathakopoulos (2001) suggest that innovation has a positive significant effect on the behavioral responses of customers. On one hand, the cognitive appraisal or attribution theory of emotion deems that "evaluations and interpretation of events, rather than events per se, determine whether an emotion will be felt and which emotion it will be" (Roseman, Spindel and Jose, 1990). This implies discrete emotions are elicited by cognitive evaluations of valence, motivation, probability and legitimacy of emotion-causing events. As such, consistent with previous studies on innovation such as Bhattacherjee (2001) and Compeau, Higgins and Huff (1999), we propose the following hypothesis, which reflects consumers cognitively assessing a perceived change in innovation before developing emotional reactions toward the innovation based on their assessments:

H5a: Cognitive satisfaction has a positive influence on emotional satisfaction.

On the other hand, the affective events theory (Weiss and Cropanzano, 1996) and the affect infusion model (Forgas, 1995) propose that emotional reactions induce innovation-related cognitions. As such, we acknowledge an alternative hypothesis in which emotional satisfaction impacts one's cognitive appraisal of an innovation:

H5b: Emotional satisfaction has a positive influence on cognitive satisfaction.

Lervik-Olsen, Kurtmollaiev and Andreassen (2016) suggest that emotional satisfaction and cognitive satisfaction resulting from perceived changes in innovation positively affect the overall perceived firm innovativeness of a company by consumers. As such, we aim to verify the following hypotheses:

H6a: Emotional satisfaction has a positive influence on perceived firm innovativeness.
H6b: Cognitive satisfaction has a positive influence on perceived firm innovativeness.

2.3 Corporate image

Various definitions of corporate image exist in the literature. Firstly, some authors discuss the concept as a person's "perception" (e.g. Carlson, 1963; Enis, 1967), or as a mental "picture" or "portrait" of a firm, for example, Gray and Balmer (1998) who define corporate image as "the immediate mental picture that audiences have of an organization." Other authors assimilate evaluations, feelings and attitudes toward a company into their abstraction of company image, for instance Dowling (2001) who defines corporate image as the "global evaluation (comprised of a set of beliefs and feelings) a person has about an organization." A strong corporate image can be built through a coordinated image-building campaign that encompasses a formal communication system – name, logo, signage, corporate advertising, and public relations. The concept of corporate image has been frequently used interchangeably with the term corporate associations, which include perceptions, inferences and beliefs about a company; a person's knowledge of his or her prior behaviors with respect to the company; information about the company's prior actions; moods and emotions experienced by the person with respect to the company; and overall and specific evaluations of the company and its perceived attributes (Brown and Dacin, 1997).

Another related construct to corporate image is corporate identity. Corporate identity can be said to be synonymous with organizational nomenclature, logos, company housestyle and visual identification (van Riel and Balmer, 1997). In addition, Melawar (2003) suggests a multidisciplinary nature of the concept which encompass corporate communication, corporate design, corporate culture, behavior, corporate structure, industry and corporate identity. Establishing the desired corporate identity entails "positioning" the entire company. Some authors describe this as "corporate branding" (Balmer, 1995) or vertical brand image transfer (van Riel and Maathuis, 1993).

Yet another associated concept is corporate reputation. However, this is distinct from corporate image as it indicates a value judgment about the company's attributes and typically evolve over time as a result of consistent performance, usually over many years (Gray and Balmer, 1998). A coordinated communication program can, however, reinforce and promote a positive reputation. In general, a salient corporate image can be created more quickly and easily than a sterling reputation. A firm could possess a superior reputation and yet not have as prominent an image as its rivals – for instance, a small plumbing contractor with a stellar reputation for quality work and reliability that promotes itself through word-of-mouth advertising. Its strongest competitor would potentially be a large, high-profile contractor boasting a professionally developed communication program. The small firm may have all the business it can handle, however if it aspires to grow, a stronger image is essential.

Given the significance of corporate image on a firm's overall performance in the marketplace, we intend to investigate how the existing NII model may be influenced by incorporating corporate image as an additional construct, and subsequently shed light on the managerial implications that firms should take into account when conducting innovation efforts.

Currently, there is very limited research conducted on the relationship between a firm's innovation efforts and its corporate image. Within the existing scant literature, the context in which this relationship has been investigated has been niche and specific to that of green innovation and green corporate image – Amores-Salvadó, Martín-de Castro and Navas-López (2014) show a positive and statistically significant moderating role of green corporate image on the relationship between environmental product innovation and firm performance. In light of this gap, we aim to contribute to the literature by adding further insight on the links between a firm's innovation efforts and corporate image. Notably, we will also investigate the relationship between corporate image and other associated variables in our model, as presented in the following sections.

2.4 Perceived firm innovativeness (PFI)

PFI is conceptually distinct from other innovation-related constructs such as "innovation" and "perceived organizational innovativeness." Whilst the usage of the terms "innovation" and "innovativeness" have often been used interchangeably within marketing research, their primary difference is that "innovation" focuses on firm activity outcome, while "innovativeness" relates to a firm's capability to be open to new ideas and work on new solutions (Crawford and Di Benedetto, 2003). "Innovativeness" refers to an enduring characteristic and not to success at one point in time (Hurley and Hult, 1998; Im and Workman, 2004). Secondly, "perceived firm innovativeness" and "perceived organizational innovativeness" are distinct in terms of the group of people of which this perception reflects. "Perceived organizational innovativeness" reflects mainly the perception of internal stakeholders (e.g. employees and managers), whilst PFI reflects the perception of external consumers of firm innovativeness. Brown and

Dacin (1997) posit that firm characteristics and behaviours must be stable over time to build up a consistent image of firm innovativeness. Kunz, Schmitt and Meyer (2011) presented a broad-based, consumer-centric view of innovation, termed "perceived firm innovativeness", which is conceptualized as the consumer's perception of an enduring firm capability that results in novel, creative, and impactful ideas and solutions. In our paper, we will adopt the definition used in Lervik-Olsen, Kurtmollaiev and Andreassen (2016)'s NII model where PFI encompasses the concept used by Kunz, Schmitt and Meyer (2011) and at the same time reflects the customer's overall assessment of the company's ability to develop one or more of the four areas of innovation (core service, service delivery, customer relations, servicescape).

Literature on PFI is currently limited and warrants greater research into. The currently developed innovation indices predominantly focus on a top-down and inside-out perspective, rather than employ an outside-in and bottom-up approach. Our objective is thus to delve further into the consumer's point-of-view on how they perceive a firm to be innovative and the variables influencing it. As mentioned previously, research on the relationship between corporate image and PFI is very limited. We hypothesize that a better corporate image will lead to greater PFI. At the same time we aim to investigate if the opposite relational direction between the variables hold true since both factors could shape each other in a reciprocal manner:

H7a: Corporate image has a positive influence on perceived firm innovativeness.
Alternatively:
H7b: Perceived firm innovativeness has a positive influence on corporate image.

2.5 Perceived relative attractiveness

Perceived relative attractiveness is related to customer satisfaction in the way that it captures both accumulated and transaction satisfaction (Andreassen and Lervik, 1999). More crucially, this construct captures how a company is evaluated in comparison with real competitors rather than an absolute measurement of customer satisfaction, that is, how a business is compared to its competitors on dimensions encompassing price, quality, reputation and the customer's belief of whether the service is more superior to its competitors. Specifically, perceived relative attractiveness contains two dimensions, value and image attractiveness, which are both relative factors that are compared to other companies. Lervik-Olsen, Kurtmollaiev and Andreassen (2016) found a positive effect between the variables perceived firm innovativeness and perceived relative attractiveness, which we aim to verify with the following hypothesis:

H8: Perceived firm innovativeness has a positive influence on perceived relative attractiveness.

In addition, Andreassen and Lervik (1999) found that customer intent is a function of perceived relative attractiveness rather than absolute satisfaction (i.e., exit or switching behavior may be triggered independently of degree of satisfaction today if customers perceive other real alternatives to be better). As a result, customer satisfaction as a predictor of customer intent is relative to other offers, instead of an absolute performance evaluation of present offers.

Research on the relationship between corporate image and perceived relative attractiveness is limited and we aim to contribute to the gap by testing the link between both variables. We hypothesize that a good corporate image positively influences perceived relative attractiveness. At the same time we aim to investigate if the opposite relational direction between the variables hold true since both factors could shape each other in a reciprocal manner:

H9a: Corporate image has a positive influence on perceived relative attractiveness.
Alternatively:
H9b: Perceived relative attractiveness has a positive influence on corporate image.

2.6 Customer loyalty

Defined by Oliver (1999) as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior, customer loyalty in this report is including the act of consuming. For a consumer to stay loyal to a company, he/she must believe the company continue to provide the best choice alternative (Oliver, 1999). Customer loyalty is widely accepted as crucial for business success in the long run (Kunz, Schmitt and Meyer, 2011). However, loyalty is a multidimensional construct which includes both positive and negative reactions (Zeitham, Berry and Parasuraman, 1996).

Loyalty is described using two different areas of conceptualizations, within the psychological meaning and the behavioral. According to Jacoby and Chestnut (1978), “consistent purchasing as an indicator of loyalty could be invalid because of happenstance buying or a preference for convenience and that inconsistent purchasing could mask loyalty if consumers were multibrand loyal,” which questions the definition of loyalty based on repeat purchases solely without including consumer attitude, beliefs, affect and intention in the decision making process. The behavioral manner is a phase following the psychological stages, here described as action inertia. These four factors are described as stages in loyalty phases with corresponding vulnerabilities. The cognitive stage is loyalty based on brand belief, based on prior knowledge, or recent experience-based information. This information can be identified as price or features of the service/product. The affective stage is the attitude toward the brand, including liking developed based on previous satisfying usage. Brand loyalty here is a result of degree of affect, and does not imply a deep level of commitment. The third stage is the conative loyalty, the behavioral intention influenced by repeated positive experiences with the brand. This stage of loyalty involves a brand-specific commitment to intend repurchasing, hence, may be anticipated but not realized. The last stage of action is the loyalty to action inertia, where intentions are converted to actions.

In the process of creating the variable customer loyalty in the NII model, customer loyalty is treated as the probability of the customer to maintain its customer relation to the company, whether they will recommend the company to others, positively describe it and whether or not the customer want to stay as a customer in the future. Yu and Dean (2001) found that both positive and negative emotions, and the cognitive component of satisfaction correlate with loyalty, showing the sufficiency of the variable. Customer loyalty in this context is mainly a goal and an outcome as a result of the preceding constructs reflecting customers’ perceptions included in the NII model. Lervik-Olsen, Kurtmollaiev and Andreassen (2016) found an effect between the variables perceived relative attractiveness and customer loyalty, which we aim to verify with the following hypothesis:

H10: Perceived relative attractiveness has a positive influence on customer loyalty.

Andreassen and Lindstad (1998) findings suggest that a good corporate image, which is in line with the self or accepted prototype, stimulates purchase from one company by simplifying decision rules and subsequently influencing customer loyalty. However, there is little research of the relationship between corporate image on customer loyalty within the specific context of company innovation. This important gap will be further investigated in the thesis, which leads to the following hypothesis:

H11a: Corporate image has a positive influence on customer loyalty. Alternatively:
H11b: Customer loyalty has a positive influence on corporate image.

3. Conceptual model

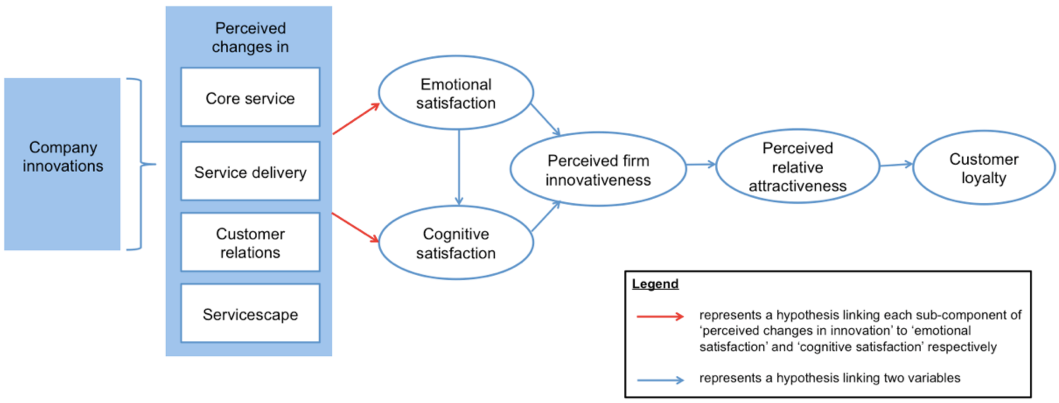

Figure 1. Norwegian Innovation Index

The figure above illustrates the customer experience of a company's innovativeness, influenced by several variables in different stages of the customer-company relation (Fig. 1). The changes the customer experience can be assigned to four different areas of service. The perceived changes from a company innovation may occur in the core service, service delivery, customer relations or in the servicescape. As Figure 1 illustrates, the changes affects either cognitive or emotional satisfaction, or both for the customer. This is the source of influence for the perceived firm innovativeness the customer assigns according to his perception of the company's ability to innovate. High perceived firm innovativeness subsequently has a positive influence on the customer's overall perceived relative attractiveness of the firm, compared to its competitors, which finally leads to strengthened customer loyalty. On the contrary, poor perceived firm innovativeness, or a decrease in perceived firm innovativeness leads to a decrease in the following variables, reducing perceived relative attractiveness and customer loyalty. This negatively affects the repurchase rate, ultimately threatening the future profitability of a company (Lervik-Olsen, Kurtmollaiev and Andreassen, 2016).

Our research aims to develop the model in Figure 1 by incorporating an additional variable, corporate image, as illustrated in Figure 2 below and as previously explained in the literature review section (section 2) of this report.

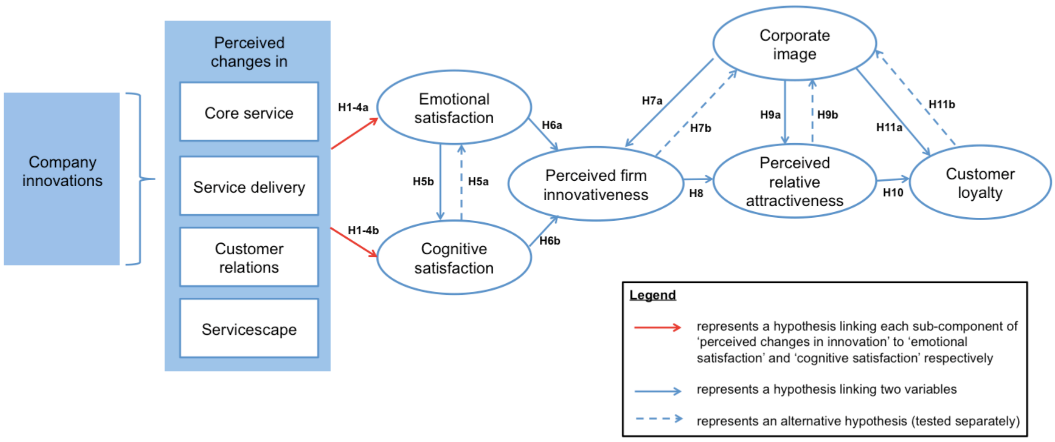

Figure 2. The Norwegian Innovation Index with Corporate Image

4. Methodology

To test the model with our associated hypotheses, we will design and conduct a survey among a representative sample of the Norwegian population, who are customers of a bank. A qualitative survey is considered most appropriate in this sense as we aim to analyze the model from the customer perspective. By using

Qualtrics to create the customer survey, the survey will test each hypothesis in addition to demographic questions.

To allow generalization of the sample to the population, we will adopt a probability sampling technique. Specifically, we will have a random systematic sample drawn from the population of all Norwegian customers of a bank service, which will give us control over representation of various groups. To participate in the survey, respondents should have had experience with the company over the previous 6 months. To make our study comparative to previous research on the NII model by Lervik-Olsen, Kurtmollaiev and Andreassen (2016), we intend to implement the same segmentation of respondents: (1) Young, free and simple , (2) Chaos in life (family), and (3) Got my life back. The groups are defined by Andreassen, Lervik-Olsen and Calabretta (2015) as follows:

- **Young, free, and simple:** young individuals between 20 to 30 years old, working or studying, living on their own or with their partner, with no kids. The keyword describing this group is “quantity of life”.
- **Chaos in my life:** young adults from 30 to 45 years old, with children under their care. The keyword describing this group is “surviving life”.
- **Got my life back:** adults between 50 to 70 years old, still active in work life but whose kids are out of the nest. They have significant disposable income and a healthy appetite for enjoying life. The keyword describing this group is “quality of life”.

The results of the survey will subsequently be collected and aggregated. Using statistical analysis, relationships will be tested between the constructs.

5. Considerations of research ethics

When implementing a research method of surveying consumers, considerations about research ethics are important. Protection of privacy must be respected, according to laws and regulations. The key principles followed in this thesis are based on the principles developed by Easterby-Smith, Thorpe, and Jackson (2012), where the main objective is to not harm participants and respect their dignity, avoid deception about the aims of the research, ensure confidentiality and anonymity, and avoid misleading or false reporting of results and findings. We will use an honest and transparent research communication, both when developing a questionnaire with clear and understandable language, and also when reporting findings in the research report. We will be mindful and active in protecting our research participants, our collaborators and ourselves from harm and undue risks (Guillemin and Gillam, 2004).

6. Progress plan

The initial part of the thesis of identifying our contribution to the NII model was discussed in collaboration with our supervisor, and in parallel with working on the literature review. The literature review is planned to be finalized by the end of February. Our next step is creating a survey using Qualtrics. The format and design of the survey will be based on several references, but most importantly our sources on corporate image and the survey design used by Kunz, Schmitt and Meyer (2011). We further plan on distributing the survey to consumers in early March, and using three weeks to collect a sufficient amount of responses. Following, the analysis of the survey will be implemented by using appropriate statistical tools and methods. In April the process of writing the final report begins, and the last month of summer will be used for finalizing and proofreading the thesis. The implementation plan below illustrates the timeline (Table 1).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept 1st
Write literature review, identify gaps and contribution	x	x							
Create survey/questionnaire		x							
Distribute survey/questionnaire			x						
Collect survey responses			x						
Analyze survey results			x						
Write up report				x	x	x			
Finalize report							x	x	
Submit report									x

Table 1. Implementation timeline

7. Conclusion

Amidst a competitive market environment, firms are facing increasing demands to be more innovative and improve customer satisfaction. The combination of high quality and high innovativeness is important to strengthen a company's competitive position. Striving for customer loyalty based on corporate innovations is influenced by several factors which increase the probability of repurchase. Our research will focus on developing the Norwegian Innovation Index (NII) Model, which looks at firm innovativeness from the consumer's perspective - specifically, we will investigate how perceived changes in innovation influences perceived firm innovativeness, relative attractiveness, and customer loyalty, whilst incorporating corporate image as an additional variable.

The theoretical contribution will involve an attempt to link corporate image to corporate innovations, based on perceptions of the customer. By testing the expected two-way interaction between specific variables within the model and corporate image, the managerial implications involve highlighting a possible key determinant to take into account in relation to a company's innovative efforts, which may influence success. Focusing on improving corporate image may directly influence desired outcomes in terms of customer loyalty, which subsequently affects repurchase rates and future profitability. If a link is proven, managers can prioritize programs focusing on improving corporate image as a part of the firm's innovation efforts, and also create value in perceived relative attractiveness, perceived firm innovativeness and customer loyalty that benefits the corporate image. This may further increase loyalty in existing customer bases and create competitive advantages both in current and new markets.

Management should be aware of the possible important influence that corporate image may serve in this area when allocating resources for corporate innovations. Based on the managerial implications from the NII developed by Lervik-Olsen, Kurtmollaiev and Andreassen (2016), managers can use the NII as a systematic tool to answer the following three questions:

- What is valuable for the customer?
- How to organize and lead innovation processes?
- How to reduce uncertainty around different innovation measures?

Using the NII as a guide, managers can measure customer perceptions of a company's ability to innovate and adopt strategies to influence customer satisfaction and loyalty over time. Ultimately, this will prove critical to companies that want to expand their market share and improve company performance in the long run.

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