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Article

Linking market orientation and service relatedness to new service development: The case of Italian small accounting firms

The International Journal of Management Science and Information Technology (IJMSIT)

Provided in Cooperation with:

North American Institute of Science and Information Technology (NAISIT), Toronto

Suggested Citation: Massaro, Maurizio; Rossi, Gina; Bagnoli, Carlo (2015) : Linking market orientation and service relatedness to new service development: The case of Italian small accounting firms, The International Journal of Management Science and Information Technology (IJMSIT), ISSN 1923-0273, NAISIT Publishers, Toronto, Iss. 16, pp. 94-107

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<https://hdl.handle.net/10419/178801>

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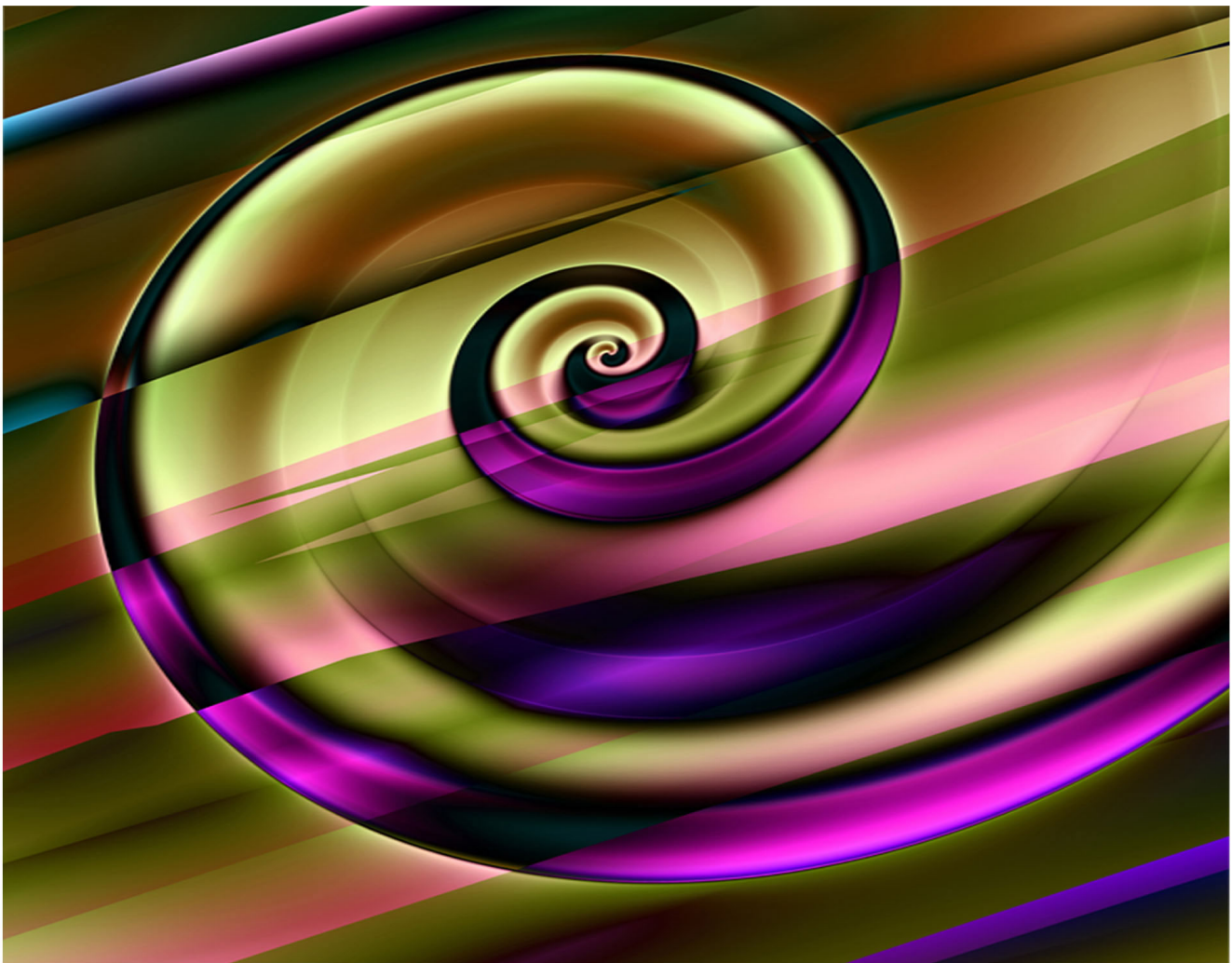
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**An official publication of The North American
Institute of Science and Information Technology**

ISSN:1923-0265

INTERNATIONAL JOURNAL OF

Management Science and Information Technology



NAISIT
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The International Journal of Management Science and Information Technology (IJMSIT)

NAISIT Publishers

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This is one paper of
The International Journal of Management Science and
Information Technology (IJMSIT)
Special Issue: ICIE 2014

Linking Market Orientation and Service relatedness to New Service Development. The Case of Italian Small Accounting Firms

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Abstract: Small and Medium Accounting Practice Firms (SMPs) are crucial in helping SMEs to keep their businesses economically and financially sustainable. Although the importance of SMPs for fostering SMEs daily activities is growing, a general lack in terms of literature has been recognized. Innovation in the service sector is characterized by distinctive features, and literature on product innovation cannot be applied *verbatim*. Several studies have recognized the importance of Market Orientation to support product innovation while less attention has been paid by the service industry. In addition, previous studies seem to consider product innovation as a general construct without considering the impact of the relatedness. Applying the Person-Environment theory (PE), this study analyzes the impact of Market Orientation (MO) on New Service Development (NSD), distinguishing new services according to their relatedness to already provided ones. A logistic regression on a sample of 960 fully filled in questionnaires has been used. Results show that Market Orientation has a significantly different impact on related and unrelated diversification. The study aims to contribute to existing literature by helping to achieve a better understanding of diversification activities in SMPs. At the same time, the study wants to offer empirical evidence that could lead to recognizing best practices in NSD.

Key words: New Service Development, Market Orientation, Small Accounting Practices, Innovation, Relatedness

1. Introduction

Literature recognizes the increasing role of product innovation for fostering firms' competitive advantage (Leitner, 2011) especially for Small and Medium Enterprises (SMEs). Due to their dimension, SMEs use external firms to assist them (Døving and Gooderham, 2008). According to the European Federation of Accountants and Auditors, Small and Medium-sized accounting Practices (SMPs) are European SMEs' most important business advisors since they support entrepreneurs by keeping their growth economically and financially sustainable. Moreover, because of their expanded role beyond standard accounting services, SMPs have been recognized as multidisciplinary practices (Frank et al., 2001; Greenwood et al., 2002) whose service portfolio has been enlarged over time because of the changing needs of their clients. Consequentially, SMPs have been pushed towards increased competition and a greater pressure on fees (Marriott and Marriott, 2000). Thus, to survive, an ability to manage New Service Development (NSD) seems to be necessary. Considering the central role of SMPs in supporting SMEs, innovation of SMPs could in addition affect SME's ability to compete. Innovation in the service industry seems to be an under-investigated topic (Ettlie and Rosenthal, 2011) especially since it has been written that it could require a specific theoretical approach "that demands distinctive theories of management".

Many researchers have identified a link between market orientation (MO) and organizational performance (Hong et al., 2013; Sanchez-hernandez and Miranda, 2011). One of the most recognized connections is that through MO firms can increase new product development and thus improve their performance (Ledwith and O'Dwyer, 2009). Indeed, MO is traditionally conceptualized by a behavioural and cultural attitude that "drives firms to acquire significant sources of competitive advantage for small firms" (Pelham, 1999, p. 40). MO influences the behaviour or ideas of organizational members and encourages them to act accordingly. MO creates complex and intangible internal environments which determine the efficiency of transforming inputs into outputs.

When it comes to developing new services, the resources required strictly depend on the level of relatedness with already provided services. Product/service relatedness is defined as "the extent to which a firm's different lines of business or industries are linked" (Luo, 2002, p. 1). According to Dess, Lumpkin, and McGee (1999), entering into related markets cannot be considered entrepreneurial, as it does not imply a change in the way the firm conducts its business. The Person-Environment fit (PE) theory states that people's behaviour is affected by the level of compatibility between people and the environment (Brigham et al., 2007; Douglas, 2013; Kristof, 1996; Kristof-brown et al., 2005). According to this line of research, the impact of MO on NSD could depend on the level of relatedness of the new service developed. Interestingly enough, the characteristic of the developed service and its connection with MO seems to be an under-investigated topic. This study builds on previous research by examining the relationship between MO and NSD. More precisely, our study analyzes previous research more thoroughly since it focuses its attention on the role of MO in NSD, deepening the role of relatedness. Indeed, NSD is first analyzed in terms of related services and then in terms of unrelated services.

Our study contributes to existing literature in several ways. First of all, it makes it possible to apply the well-known MO-innovation relationship to the service industry, which has been recognized as a specific context. SMPs appear to be an interesting research context because of their specific role in supporting SMEs. In addition, it deepens existing theories on MO by offering a new perspective light on the application of the PE theory. By deepening the MO-innovation literature, we aim to offer new insights on a crucial topic for fostering economic growth. In addition, our study also has practical implications since it offers some lines of conduct to practitioners who are developing NSD processes. In addition, business schools could consider this study to introduce new courses for chartered accountants in order to foster their ability to innovate their service portfolio.

The study is organized as follows. The next paragraph introduces a brief review of literature and is followed by a description of the research context, the methodology and the measures adopted. The following paragraph then introduces the major results obtained and a discussion section. A conclusion paragraph ends the study.

2. Literature review and research questions

The concept of MO goes back to the seminal works of Kohli and Jaworski(1990), and Narver and Slater (1990)(1990) in the early 1990s, which argue that MO contributes to improving the performance of a market-driven organization. These seminal works give rise to two different perspectives on MO that have been used by the majority of scholars in this field. On the one side, MO can be considered under a behavioural perspective and is analyzed for the firm's ongoing behaviour (Deshpandé et al., 1993) and activities, including customer and competitors' intelligence generation and the dissemination of this intelligence throughout the firm (Kohli and Jaworski, 1990). On the other side, MO can be considered from a cultural perspective and is recognized as a cultural bias which creates the necessary behaviours that encourage organizations to provide superior products and services to customers by addressing their expressed and latent needs (Narver and Slater, 1990). Interestingly, even though Narver and Slater(1990) considered MO as a cultural issue, they measured it considering both attitudinal and behavioural scales (Gray and Hooley, 2002; Lamore et al., 2013). Many scholars have refined the scales for measuring MO and have provided several approaches to it (e.g. Deshpandé et al., 1993; Matsuno et al., 2000). However, recent studies seem to generally split MO into the following fundamental aspects: customer orientation, competitor orientation and inter-functional coordination (González-Benito et al., 2009; Kibbeling et al., 2013; De Luca et al., 2010; Nguyen et al., 2013; Sanya, 2007). Customer orientation emphasizes the role of understanding targeted customers, while competitor orientation focuses on understanding competitors' strengths and weaknesses and monitoring their activities (Hong et al., 2013; Ledwith and O'Dwyer, 2009; Narver and Slater, 1990; Wang and Chung, 2013). Lastly, inter-functional coordination emphasizes the coordination of company resources and customer-related activities throughout the entire organization (Hong et al., 2013; Ledwith and O'Dwyer, 2009; Narver and Slater, 1990).

The role of MO in small firms has been widely analyzed in literature. Reijonen et al.(2012) argued that MO is typical of growing SMEs, rather than of stable or declining ones. Verhees and Meulenber(2004) found that MO affects the selection of product assortment and increases customer market intelligence. Blankson et al. (2006) found that small firms emphasized competitiveness and satisfaction of customer needs, while Blankson and Omar (2002) illustrated that there is a lack of awareness of the basic principles of marketing in SMEs. Gaur et al. (2011) found a positive link between two sub-dimensions of market orientation: customer orientation and inter-functional coordination. González-Benito et al. (2009) found that a strong relationship exists between entrepreneurship and market orientation. Conversely, little research has focused on the role of MO within the services sector. By developing a qualitative analysis of 23 MO studies focusing on the service industry between 1971 and 2000, Esteban et al.(2002) found that MO improves the results of service companies. In addition, Rodriguez Cano et al. (2004) highlighted that the correlation between MO and performance is stronger in service firms than in manufacturing ones. However, by analyzing in detail the role of the three key MO components, Tsiotsou (2010) found that only customer orientation directly influences service performance, whereas competitor orientation and inter-functional coordination exhibit indirect effects through customer orientation.

A significant amount of research over time has suggested that the effect of MO on performance is not direct, but develops via innovation instead (Han et al., 1998; Verhees and Meulenber, 2004). In addition, Jaworski and Kohli (1993) considered MO as an antecedent of innovation, given that it is typically involved in developing new products or services in response to the market. As Liu (2011) suggested, MO spurs innovativeness, which, in turns, affects the innovative performance of organizations. A positive relationship between MO and innovation is assumed in the literature. However, some empirical research

found that MO only moderately increases the innovative orientation of a firm (Grinstein, 2008) and may even represent a bias against radical innovation because listening to customers' needs often leads to new products or services that are mere imitations of existing ones (Bennet and Cooper, 1981). In particular, the link between each of the three components of MO – customer orientation, competitor orientation, and inter-functional coordination – and innovation is still not conclusive (Grinstein, 2008). Han et al.(1998) found that customer and competitor orientation facilitate the development of new products and services but do not find support for the hypothesis that inter-functional coordination is positively related to organizational innovativeness. Similarly, the findings of Wang and Chung (2013) revealed that customer orientation has a positive impact on innovation because firms with a customer focus tend to be more proactive in meeting customer needs. Conversely, they found that inter-functional coordination fosters the development of new products or services by facilitating a corporate culture that is more receptive to innovation, while competitor orientation has a negative effect on the development of new products or services because it limits the firm's ability to create its own innovative capability. Appiah-Adu and Singh (1998) linked customer orientation and new product performance and also found a positive association between innovation orientation and customer orientation. Ledwith and O'Dwyer (2009, p. 107) reported that "small firms need to understand their customers and competitors while involving all functions in the development of new products that satisfy customer needs."

According to this line of research "MO forms the core of an organizational culture" (Ledwith and O'Dwyer, 2009, p. 653)and fosters people's behaviour accordingly. Interestingly, previous studies did not consider the person-organization fit since they did not analyze the specific characteristic of the service developed and its interrelation with MO. The PE theory considers "the compatibility between an individual and a work environment that occurs when their characteristics are well matched" (Kristof-brown et al., 2005, p. 281). According to this approach, people actively search for work situations that best fit the bundled combination of the outcomes they seek. It is reasonable to presume that people will derive greater satisfaction from, and will pursue opportunities that provide, the outcomes they appreciate the most, or, conversely, fewer satisfaction from the things they appreciate the least. Using the assumption of inertia as a general guide to human behaviour (Shapero, 1982) and the "PE" lens (Fitzsimmons and Douglas, 2011; Kristof, 1996; Kristof-brown et al., 2005), it is reasonable to imagine that relatedness could affect the connection between MO and NSD. Related products or services represent incremental innovations that involve minor adjustments to the current products or services offered by the firm. Conversely, unrelated products or services differ substantially from the already provided ones and involve radical innovations. Researches on the relationship between MO and innovation show inconclusive results. On the one side, MO seems to inhibit the development of radical innovations because customers describe their needs in terms of familiar products and services (Atuahene-gima, 1996). On the other side, Lukas and Ferrel (2000)found that MO becomes a source of new ideas for the development of unrelated products and services especially when firms are customer oriented, while inter-functional coordination increases the development of new related services. In addition, other studies do not find support in the relationship between MO and the degree of newness of products and services offered by firms (Vega-Vázquez et al., 2012). According to this premise our research question could be summarized as follows:

RQ: *How does service relatedness influence the relationship between MO and NSD?*

3. Research context

Our research focuses on SMPs, located in northeast Italy. This region was selected as it is characterized by a large number of small, usually family-run, organizations. Moreover, this region has been recognized (Lepshy and Lepshy, 1998) as being populated by several bi-linguistic minorities (e.g. German and Slovene speakers) which allows us to reduce cultural bias in the data collected within a single country. SMPs seem to be a good sample to test our hypothesis. Knowledge resources required to provide

mandatory accounting services are common across the sector. Indeed, in order to qualify as authorized accountants, Italian chartered accountants must i) have a specific university degree in accounting; ii) spend a 3-year internship period in an accounting practice firm; iii) pass a series of specific exams. Nevertheless, this “certified intellectual capital” is not sufficient to explain NSD. Indeed, especially when it comes to providing non-mandatory accounting services new knowledge has to be developed. Thus, the effect of PE in this context could be better recognized considering the effort required to develop non-mandatory services. In addition, in line with the premise of our study, we decided to focus on SMPs because of their role as business advisors for SMEs.

4. Methodology and hypothesis development

Our research used a structured questionnaire. Contacting local chartered accounting associations, allowed us to obtain a list of 11,267 SMPs. All respondents met the definition of 'small and medium enterprises' as established under European Union guidelines. (None of the firms are subsidiaries of larger corporations). These firms were then sent a structured questionnaire via e-mail. Three mailings were sent in order to increase the response rate. This process yielded 2,266 questionnaires for a response rate of 20.1%. Of these, 960 were answered completely (8.5% of the total population). We examined the data set for a potential no response (Rogelberg and Stanton, 2007) and common method bias (Podsakoff et al., 2003) and did not find any notable systematic bias. Our response rate is comparable to other similar surveys (Døving and Gooderham, 2008; Mole, 2002).

In order to test our hypotheses, we estimate two sets of regressions. The first set considers the scores of a number of new related services as the observations of the dependent variable and allows for the examination of the relationship between various forms of market orientation. The second regression relies on the scores of new unrelated services as observations for the dependent variable and grants us the possibility to investigate the link between various forms of market orientation. Table 1 offers a descriptive statistic of the sample.

Table 1. Descriptive statistic of the sample

Variables	Average	SD	Max	Min
Number of staff	4.1	6.8	110	0
Number of people including owners, internships and partners	6.7	10.6	140	1
N. of Offices	1.3	1.0	20	1
N. of Services Provided	4.9	2.6	18	2

5. Measures

5.1 Dependent variable

Our dependent variable is calculated as the intention of introducing new services into the firm's portfolio thus developing a diversification process. New services are identified by counting each service that will be provided within the following twelve-month period. In order to develop the complete list of services Italian accountants are allowed to provide, we interviewed a group of five experienced, authorized, chartered accountants. This list was then compared to the official website of the Italian Association of Chartered Accountants. From this comparison, 18 services were identified. This final list closely replicates prior studies in the field (Bagchi-Sen and Kuechler, 2000; Døving and Gooderham, 2008). In order to classify services as being mandatory accounting services we used the Italian legal classification of services as assigned to chartered accountants (we used the Italian law: D.Legs. 28/06/05 n.139). The first classification was then submitted to a second group of experts for further verification. We ended up with a list pretty similar to the general classification proposed by the International Federation of Accountants (IFAC, 2010). The methodological approach to match and compare information acquired by

the analysis of the law, specific reports and expert interviews was previously used in other studies on SMPs (Døving and Gooderham, 2008). Table 2 and 3 give a summary of our results.

Table 2. Mandatory accounting services provided by SMPs and intended additions

Description	Already Provided	%	Will be added	%
Accounting management	165	22%	21	3%
Debt administration/closure of firms	63	8%	45	6%
Taxation/tax planning	144	19%	37	5%
Financial auditing	638	85%	44	6%
Administrative routines	404	54%	14	2%
Valuation of firms/mergers/demerger	11	1%	66	9%
Administration of naval accident practice	109	15%	15	2%
<i>Total</i>	<i>1534</i>		<i>242</i>	
<i>Average per firm</i>	<i>2.04</i>		<i>0.32</i>	

Table 3. Non-mandatory accounting services provided by SMPs and intended additions

Description	Already provided	%	Will be added	%
Remuneration schemes/ salary administration	446	59%	18	2%
Arbitration	147	20%	62	8%
Bankruptcy and crisis management	461	61%	44	6%
Inheritance issues/generation transfer	332	44%	59	8%
Contracts and litigation	108	14%	65	9%
Strategic planning	15	2%	86	11%
Marketing/sales	38	5%	38	5%
Management/organization/HRM	78	10%	78	10%
IT consultancies	22	3%	22	3%
Financial management/budgeting	57	8%	57	8%
International business	46	6%	46	6%
<i>Total</i>	<i>1750</i>		<i>575</i>	
<i>Average per firm</i>	<i>2.03</i>		<i>0.76</i>	

5.2 Independent variable

According to previous studies, we measured MO in terms of customer orientation, competitor orientation, and inter-functional coordination. Customer orientation and competitor orientation include all of the activities involved in acquiring information about the buyers and competitors (Narver and Slater, 1990). Inter-functional coordination is based on efforts to share customers' and competitors' information (Narver and Slater, 1990). According to this definition we developed 5 questions to test customer orientation, 3 questions to develop competitor orientation and 3 questions to test inter-functional coordination. An exploratory factor analysis was developed through a Varimax rotation. To confirm our test, a Cronbach's alpha test was developed. Table 4 gives a brief description of the questions used to measure MO and of the main results obtained.

Table 4. Market orientation statistics

Description	Factor loading	Cronbach's Alpha
Customer orientation (5 items)		
<i>(please rate the following items from 1 not important to 5 very important)</i>		0.792
1. Give customers quick answers to their needs	0.668	
2. Handle customer complaints and give precise answers	0.787	
3. Provide customized services	0.790	
4. Handle relationships with clients	0.777	
5. Keeping the firm's reputation high	0.373	
Competitor orientation (3 items)		
<i>(please rate the following items from 1 not important to 5 very important)</i>		0.564
1. Controlling competitors' price strategy	0.448	
2. Controlling competitors' location strategy	0.655	
3. Controlling competitors ' clients channel acquisition	0.558	
Inter-functional coordination (3 items)		
<i>(please rate the following items from 1 not important to 5 very important)</i>		0.701
1. Firm's knowledge management	0.461	
2. Firm's communication system	0.954	
3. Firm's internal and external reputation	0.617	

5.3 Control variable

According to previous studies, the size of the firms could influence SMPs innovation (Døving and Gooderham, 2008). Thus, we decided to test our model by measuring firm size as a control variable. We decided to measure the size in terms of number of people involved in the firm, number of offices and number of services provided by the firm. According to the data collected, our sample shows an average employment of people (including senior partners) of 6.65 who work on an average of 1.28 offices providing an average of 4.92 services on a list of 18 services developed as described before. Table 5 reports descriptive statistics for the control variables.

Table 5. Descriptive statistics for control variables

Variables	Mean	SD
Number of people	6.65	10.56
Number of offices	1.28	0.97
Number of services provided	4.92	2.62

6. Results

In order to develop our research question, regarding the association of NSD and MO, we carried out two logistic regression models, splitting them between related and unrelated services. We tested correlations among independent variables in order to verify the existence of multicollinearity. Table 6 shows the main results of our analyzes and indicates that there is no reason for concern about multicollinearity.

Table 6. Correlation Matrix

	1	2	3	4	5	6
1 Num. of offices	1					
2 Num. of employees	0.38 ***	1				
3 Num. of services	0.17 ***	0.3 ***	1			
4 Competitor orientation	-0.08 **	-0.01	-0.06 .	1		
5 Customer orientation	-0.04	0.13 ***	0.18 ***	0.3 **	1	
6 Inter-functional coordination	0.02	0.13 ***	0.19 ***	0.26 **	0.54 ***	1

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Moreover, we developed a group of two separate logistic regressions in order to test the effect of MO on NSD. Firstly, we developed our analysis on related diversification. Using a hierarchical approach we tested a model that used only control variables. Secondly, we enlarged the original model by adding competitor orientation, customer orientation, and inter-functional coordination. The Pseudo R-squared analysis indicates that adding MO the model appears to be more significant. Thus, even though we cannot use the model as a predictor model because of the low pseudo R-squared, we can recognize the effectiveness of adding MO to our control variables. Interestingly, when we analyzed related diversification, MO did not have a statistically relevant influence on NSD. The only variable recognized as significant is the inter-functional coordination.

We developed a second group of logistic regressions applying a hierarchical approach. As recognized in the first group of analysis, we can recognize that adding MO to control variables increases the pseudo R-squared. Interesting, when it comes to unrelated diversification we can recognize that all the variables used to define MO have a positive and significant influence on NSD. The results are reported in table 7.

Table 7. Hierarchical approach to logistic regression. Comparison between related and unrelated new services

	Related services		Unrelated services	
	Model 1	Model 2	Model 1	Model 2
Intercept	-2.32 ***	-2.27 ***	-2.97 ***	-2.98 ***
Num. of offices	0.12 .	0.14 .	0.19 ***	0.26 ***
Num. of services	-0.04	-0.06 *	0.09 ***	0.07 ***
Num. of employees	-0.01	-0.01 .	-0.01 **	-0.02 ***
Competitor orientation		0.05		0.29 ***
Customer orientation		0.13		0.10 *
Inter-functional coordination		0.28 ***		0.26 ***
Pseudo R2	0.01	0.03	0.03	0.08

7. Discussion

Our study analyzes the impact of MO on NSD, distinguishing between related and unrelated services. The theoretical approach has its roots in the PE theory. According to this approach, people will derive greater job satisfaction in work contexts that provide the things (salient outcomes) that they appreciate, or conversely less job satisfaction from the things they do not appreciate. Thus, our hypothesis is that there is a contingent relationship between aspects of the innovation required (distinguished between related and unrelated to services already provided) and people's expertise. Using the assumption of inertia as a general guide to human behaviour (Shapero, 1982), our study works on the hypothesis that unrelated new service development requires greater effort.

We disaggregated MO into its core components (customer orientation, competitor orientation, and inter-functional coordination) and explored how each component affects service innovation in SMPs, distinguishing between related and unrelated services. According to this approach, two basic findings emerge from our study. Our results show, on one hand, a positive and significant relationship between MO and NSD when it comes to developing unrelated new services. Specifically, all the variables used to define MO have a positive and significant influence on NSD. These results confirm previous studies which found that MO becomes a source of new ideas for the development of unrelated services (Lukas and Ferrell, 2000). Our findings, thus support the idea that MO is a source of innovation that helps service firms go beyond the boundaries of their usual activity. On the other hand, there seems to be a positive but not relevant relationship between MO and NSD when it comes to developing related new services. This is in accordance with the Vega-Vázquez et al.(2012) study that did not find support in the relationship between MO and the degree of newness of products and services offered by the firms. The only exception is represented by inter-functional coordination, that is significantly and positively related with NSD. This partially confirms Lukas and Ferrel's (2000) results, which found that inter-functional coordination facilitates the development of related services that represent an extension of the current offering.

According to our findings, we can argue that when entrepreneurs have to develop new services that are close to existing knowledge market orientation plays, in general, a weak role. The most important thing is to transfer knowledge within the organization (inter-functional orientation). Attention to customer and competitor needs and behaviours are less important. Considering that, for the SMPs, related services are usually mandatory, there could be an insight into the role of market efficacy. Thus, on one hand, the reduced need for competition (because these services are usually mandatory) and the closeness of knowledge to already provided services reduce the need for customer and competitor orientation. On the other hand, when it comes to developing unrelated services, SMPs are forced to sail in unfamiliar waters. Our results fall in line with PE theory. Indeed, when it comes to developing services that are pretty close to the knowledge already used by the firm, MO seems to be less important. Chartered accountants will develop these services easily and thus even firms with a lower MO can reach important results in terms of NSD. Understanding clients' needs becomes easier as well as understanding competitors' actions. The only culture required regards the intention of sharing this information, as shown in table 7 where Inter-functional Orientation is the only variable identified as significant. On the other hand, developing unrelated services requires higher endeavors, and it is possible only if the firm shares a well-oriented culture. Clients' requests can be understood only by paying specific attention to the topic as well as to the action of competitors'. Thus, we can recognize that MO has a more important impact on NSD when it comes to developing unrelated services.

7. Conclusion

Our study focuses on the NSD in Small Accounting Practices. The topic seems to be interesting because of the role of SMPs as first consultants of SMEs. The development of the competitive context is pushing SMEs' needs to handle the growing business complexity. The ability of SMEs to answer to these changes is inevitably linked to the quality of the services provided by their consultants.

According to existing literature, the reasons that push SMPs to introduce new services are linked to the Market Orientation of the firm. Interestingly, while the connection between NSD and MO is widely recognized, the effect of the specific characteristic of the innovation is not analyzed in literature. In particular, the way in which MO and the relatedness of new services provided by SMPs interactively influence innovation has not been examined. To fill such a void, the purpose of our study was empirically to investigate the relationship between MO and NSD by distinguishing between related and unrelated services. The objective of this study makes an important contribution to the extant literature by simultaneously and interactively considering the relationship among MO, service relatedness and service innovation.

To fill the gap, our study analyzes a sample of 960 questionnaires. NSD is split between related services and unrelated services due to the application of the Person-Environment theory. In general, our findings

support the idea that MO promotes innovation in service firms. More in detail, our results show that when SMPs have to introduce new related services, MO seems to be unimportant. Indeed, Competitor Orientation and Customer Orientation are insignificant. The only variable we found to be significant was Inter-functional Coordination. This could be explained by considering that related new services are close in terms of required knowledge. Firms can pay less attention to these variables because they can easily understand the competitive context.

When it comes to introducing unrelated new services, Customer Orientation, Competitor Orientation and Inter-functional Orientation are significant. Indeed, because of the lower level of proximity of unrelated new services with existing knowledge, firms need to pay more attention to the change in the competitive context.

These results aid in shedding new light on existing literature on MO and its role to foster NSD, revealing that customer orientation, competitor orientation, and inter-functional coordination contribute in different ways to service innovation, depending on the level of relatedness of new services offered by the firm with the already provided ones. In addition, these results could also have a managerial application. Firms can thus foster their efforts on NSD according to their specific strategy. More focused firms, which are more concentrated in mandatory accounting services, could reduce investments in MO by reducing their costs. More diversified firms, which are more concentrated in non-mandatory accounting services, need to pay higher attention to MO in order to develop the firm's strategy.

In spite of the empirical results, our study has several limitations that could also be viewed as opportunities for further research developments. First of all, the sample is focused on one country only and this could limit the applicability of the results to other national contexts and other firms. Future studies could verify our data in other countries to increase our understanding of how service relatedness influences the relationship between market orientation and the development of new services. In addition, our study is focused on accounting practice firms. Our results could be tested in a different context of SMEs in order to generalize the findings. For this reason, future research might include a wider variety of service firms in the sample than those examined here.

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