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## Entrepreneurial Service Quality: Toward a New Conceptualization Linking Innovation Capability and Customer Value Creation

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### ABSTRACT

In an economy that is becoming more dynamic and driven by innovation, traditional ideas about service quality don't fully capture the entrepreneurial aspect that businesses use to create and deliver better value to customers. This research presents the notion of Entrepreneurial Service Quality (ESQ)—a multifaceted framework that amalgamates innovation capability, opportunity identification, and value co-creation as fundamental catalysts of competitive service performance. Utilizing the theories of entrepreneurial orientation, dynamic capabilities, and service-dominant logic, the paper introduces a novel conceptual framework that connects ESQ to customer value creation and enduring competitive advantage. We redefine service quality not as a static evaluation of service outcomes, but as a strategic, innovation-driven process that continually adjusts to customer expectations and market dynamics through a systematic literature review and theoretical synthesis. The research underscores that companies incorporating entrepreneurial thinking into service design, delivery, and customer engagement can improve innovation intensity, responsiveness, and perceived value. This conceptualization serves as a basis for empirical validation and furnishes managerial insights for organizations aiming to synchronize entrepreneurial capability with service excellence in the digital age.

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## 1. INTRODUCTION

In today's highly competitive and innovation-driven business world, the idea of service quality has changed from being about operational efficiency to being about strategic adaptability and customer-centered innovation. Conventional models, including SERVQUAL, define service quality as the disparity between

customer expectations and perceptions across five fundamental dimensions: tangibility, reliability, responsiveness, assurance, and empathy [1]. This paradigm has directed service management research for decades, predominantly presuming static service conditions and underestimating the impact of entrepreneurial behavior and innovation dynamics on service excellence [2], [3]. Entrepreneurial service models are having a bigger and bigger effect on the modern marketplace. This is because of digital transformation, co-creation, and innovation ecosystems. As a result, businesses need to rethink how they create, deliver, and maintain service value [4, 5]. In this context, the concept of Entrepreneurial Service Quality (ESQ) arises as an innovative conceptual framework connecting innovation capability with customer value creation. This research contends that ESQ signifies not only the operational efficiency of services but also the strategic ability of organizations to innovate and adapt service processes via entrepreneurial orientation.

Service quality is still one of the most important factors that affect customer satisfaction, loyalty, and competitive edge [6]. As companies combine digital technologies, artificial intelligence, and flexible business models, traditional ways of measuring service quality don't work because they don't show how value creation is always changing and focused on new ideas [7]. Entrepreneurial firms—defined by proactivity, innovation, and strategic risk-taking—constantly redefine service delivery to anticipate customer needs and generate superior value [8]. Previous research on entrepreneurial orientation (EO) highlights its favorable correlation with innovation and organizational performance [9], but there has been insufficient focus on the manifestation of EO within service processes. Conversely, service quality literature has infrequently regarded entrepreneurship as an inherent catalyst for service excellence [10]. This conceptual gap highlights the necessity for a theoretical synthesis between service management and entrepreneurship to elucidate how innovation capability facilitates customer value creation via service quality.

Moreover, from a service-dominant logic (SDL) perspective, value is co-created through interactions between firms and customers rather than embedded in outputs [11]. As a result, static service evaluation frameworks are unable to encompass the entrepreneurial adaptability and co-creative mechanisms that produce customer value in dynamic contexts. Companies that use entrepreneurial logic in their service plans tend to be more innovative, responsive, and valuable to customers [12].

The rest of this paper is set up like this. Section 2 looks at important research on customer value, service quality, entrepreneurial orientation, and innovation capability. In Section 3, we build the conceptual model and ideas that connect ESQ to the ability to innovate and create value. Section 4 talks about the effects on managers and theory, and Section 5 lists the conclusions and possible directions for future research.

### 1.1. Conceptual Gap and Research Objectives

Even though there is more and more research on service quality, innovation, and entrepreneurship, these areas have mostly grown up on their own. Service quality studies concentrate on customer perceptions and process efficiency [1], [13], whereas innovation research prioritizes technological and organizational capability [14]. In contrast, entrepreneurship literature emphasizes the generation of value through the identification of opportunities and innovation [15]. The convergence of these literatures—the entrepreneurial aspect of service quality—remains theoretically insufficiently developed. This study aims to address this gap by presenting Entrepreneurial Service Quality (ESQ) as a multidimensional framework that integrates innovation capacity, entrepreneurial orientation, and customer value generation. The goals are to:

- Think of ESQ as a higher-level strategic skill that combines service excellence with the ability to adapt to new ideas.
- Create a framework that connects innovation capability to creating value for customers through ESQ as a middleman.
- Put forward ideas for future empirical testing and use by managers.

### 1.2. Theoretical Foundations

The theoretical framework of this research is constructed upon three synergistic pillars:

**Entrepreneurial Orientation (EO):** EO describes how companies think about innovation, being proactive, and taking risks [8], [9]. Empirical evidence indicates that EO improves innovation results, market adaptability, and enduring competitiveness [16].

**Dynamic Capabilities and Innovation Capability:** Dynamic capability theory asserts that organizations attain enduring competitive advantage by their capacity to identify opportunities, capitalize on them, and reallocate resources [17]. In service contexts, innovation capability encompasses the ability to reconfigure service processes, incorporate customer feedback, and implement technologies that augment perceived value [18].

Service-Dominant Logic (SDL): SDL redefines value as co-created through interactions among actors, prioritizing value-in-use over value-in-exchange [11]. It posits that customers are engaged participants in value creation, necessitating that firms develop adaptive service systems to promote co-creation and experiential value [19].

Putting these ideas together, Entrepreneurial Service Quality can be thought of as a flexible service orientation that combines entrepreneurial behavior and the ability to innovate to create more value for customers. ESQ is different from traditional service quality models in that it focuses on service improvement based on opportunities, ongoing innovation, and customer co-creation as factors that lead to excellent service.

#### 1.4. Significance and Contributions

This study enhances both theoretical frameworks and practical applications in multiple aspects.

First, it broadens service quality theory by incorporating entrepreneurial and innovation dynamics alongside operational dimensions. This study enhances the theoretical discourse between service management and entrepreneurship by framing ESQ as a strategic, innovation-driven construct.

Second, it broadens the entrepreneurial orientation literature within the service sector, illustrating how entrepreneurial conduct can influence customer interactions and perceptions of value [9], [20].

Third, it offers a value-centered view of service innovation, stressing that service quality is not fixed but is always being made better through entrepreneurial experimentation and customer involvement [11, 21].

Finally, from a management point of view, ESQ gives service companies a strategic way to make sure that their investments in innovation are in line with their goals for creating value. This turns service operations into entrepreneurial ecosystems that can keep a competitive edge.

## 2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

### 2.1. Evolution of Service Quality: From Performance Consistency to Strategic Adaptability

The expectancy–disconfirmation paradigm has been the most important idea in service quality (SQ) for a long time. It says that quality is the difference between what you expect and what you actually get [1]. Parasuraman, Zeithaml, and Berry's SERVQUAL model put this idea into action by using five dimensions—reliability, assurance, tangibility, empathy, and responsiveness—that measure both functional and technical quality [1]. Later studies, like Cronin and Taylor's SERVPERF model [13], improved the construct by only looking at performance-based evaluations. This made it more useful for predicting consumer satisfaction.

The 21st century's ever-changing business world, on the other hand, has made traditional SQ frameworks less useful. Modern service systems are increasingly integrated into digital ecosystems, knowledge co-creation, and innovation networks, where adaptability, experimentation, and reconfiguration of service delivery have become essential for competitiveness [6], [7]. Researchers like Grönroos [2] and Edvardsson and Enquist [10] contend that quality can no longer be assessed exclusively through fixed performance metrics; instead, it must include innovation, learning, and entrepreneurial agility as essential elements.

Service quality is changing from a process of compliance to a process of change. This means that it is always taking into account customer feedback, market intelligence, and the ability to come up with new ideas. This redefinition establishes the basis for the novel construct introduced in this study: Entrepreneurial Service Quality (ESQ).

### 2.2. Entrepreneurial Orientation and the Logic of Value Creation

The theory of Entrepreneurial Orientation (EO) has become central in explaining firm-level innovation, proactiveness, and strategic renewal [8], [9]. Miller [8] was the first to define EO as the company's tendency to come up with new products, take risks, and act before its competitors. Lumpkin and Dess [9] subsequently broadened this concept to encompass autonomy and competitive aggressiveness, thereby characterizing entrepreneurial orientation (EO) as a multidimensional strategic posture.

EO research has consistently associated these behaviors with enhanced firm performance across various industries and contexts [16], [20]. From a service management perspective, EO motivates organizations to question standard procedures, test new ways to deliver services, and predict hidden customer needs. Wang [16] provided empirical evidence that entrepreneurial orientation (EO) improves innovation outcomes, especially in conjunction with transformational leadership. Additionally, Wiklund and Shepherd [20] discovered that EO promotes enhanced performance in dynamic environments marked by significant uncertainty.

However, the relationship between EO and service quality is still not well understood. Although EO is acknowledged as a catalyst for innovation, limited research has examined how entrepreneurial enterprises integrate

these behaviors into service processes to generate customer value. This omission creates a theoretical void concerning the conversion of entrepreneurial capability into perceived service excellence—a fundamental concern that ESQ aims to tackle.

### 2.3. Innovation Capability and Dynamic Capabilities Perspective

Innovation capability is the ability of a company to keep coming up with new products, services, and processes to meet changing market needs [18]. According to the dynamic capabilities framework, companies don't get a long-term competitive edge by having static resources; instead, they do it by being able to sense opportunities, take advantage of them, and change their assets to stay relevant [14], [17].

Teece et al. [14] initially characterized dynamic capabilities as superior capabilities that facilitate resource renewal and strategic adaptability. Later, Lawson and Samson [18] said that innovation capability is a sign of dynamic capabilities, focusing on integrative learning, technological flexibility, and leadership commitment to innovation. In the context of service, this capability entails the systematic integration of customer insights, the utilization of digital technologies, and the re-engineering of service processes to enhance agility and differentiation.

Additionally, the ability to innovate makes services more flexible, which means that companies can change their value propositions based on customer feedback, changes in the market, or new technologies [4], [17]. Consequently, innovation capability constitutes a vital precursor to Entrepreneurial Service Quality, establishing the cognitive and operational framework for integrating innovation into the service delivery paradigm.

### 2.4. Service-Dominant Logic and Value Co-Creation

The transition from goods-dominant logic (GDL) to service-dominant logic (SDL) signifies a pivotal advancement in marketing theory [11]. SDL reinterprets value as a collaborative process between providers and beneficiaries, rather than a unilateral creation by firms. Vargo and Lusch [11] assert that firms do not exclusively generate value; rather, they function as enablers of value-in-use, allowing customers to attain value through interactive, relational exchanges.

Prahalad and Ramaswamy [19] developed this idea further by introducing the idea of co-creation, in which customers take an active role in designing and customizing their service experiences. This method makes it hard to tell producers and consumers apart, putting them both on the same level when it comes to making value [21].

In this context, service quality is inextricably linked to customer engagement and innovation processes. Companies that promote collaborative platforms with the help of digital tools, data analytics, and agile design can provide better experiential and relational value. As a result, Entrepreneurial Service Quality becomes a skill that encourages entrepreneurial behavior (like trying new things, taking risks, and being proactive) to get people to work together and increase the value of the service.

### 2.5. 2.5. Toward a Conceptualization of Entrepreneurial Service Quality (ESQ)

Based on the aforementioned theoretical frameworks, this study delineates Entrepreneurial Service Quality (figure 1) as:

"The company's ability to design, deliver, and constantly change service processes through entrepreneurial behavior, innovation, and customer co-creation mechanisms in order to give customers more value."

This definition puts ESQ in a higher-order category made up of three related parts:

**Entrepreneurial Adaptability:** The company's proactive and opportunity-driven way of changing how it delivers services to meet new customer needs [8], [9].

**Innovation Integration:** The methodical incorporation of innovation capabilities—technological, organizational, and process-oriented—into service operations [17], [18].

**Co-Creative Value Orientation:** The encouragement of active customer participation and relational learning to collaboratively generate value-in-use [11], [19].

These dimensions collectively embody a strategic service orientation that integrates entrepreneurship and innovation into the core of service quality management. Traditional quality models focus on consistency, but ESQ focuses on evolution, experimentation, and strategic renewal.



Figure 1. Conceptual ESQ model

## 2.6. Linking Innovation Capability, ESQ, and Customer Value Creation

This study posits a conceptual relationship among innovation capability, Entrepreneurial Service Quality, and customer value creation, as depicted in Figure 2 (conceptual model description).

**Innovation Capability → ESQ:** Companies that are good at coming up with new ideas have the resources and ways to learn that they need to try out new ways of interacting with customers, service processes, and technologies [18]. This ability is a precursor to ESQ, allowing the company to turn technological and organizational innovations into entrepreneurial service practices.

**ESQ → Creating Value for Customers:** Entrepreneurial Service Quality increases customer value by combining new ideas with existing ones. Adaptability in business makes sure that you can respond, and integrating new ideas improves both functionality and experience. Co-creative orientation gives customers the power to add their own personal touch to value, which leads to higher satisfaction, trust, and loyalty. [10], [19].

**ESQ as a Mediator:** ESQ acts as a link between innovation capability and creating value for customers. Without a focus on serving customers, innovation capability might not be used to its full potential or might not be connected to the customer experience. ESQ turns the ability to innovate into real value outcomes, connecting the skills of an organization with its relevance in the market.

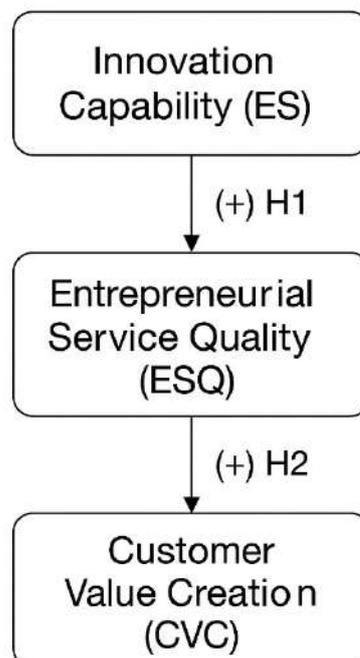


Figure 2. Conceptual model description

## 2.7. Conceptual Model and Propositions

The suggested conceptual framework incorporates these relationships in the following manner:

Proposition 1: The ability to innovate has a positive effect on the quality of entrepreneurial service.

Proposition 2: Entrepreneurial Service Quality has a good effect on how much value a customer gets from a product.

Proposition 3: Service for Entrepreneurs Quality acts as a bridge between the ability to innovate and the ability to create value for customers.

Figure 3 (conceptual representation) summarizes these theoretical relationships, placing ESQ as the key idea that turns innovation resources into value that customers see through entrepreneurial behavior and co-creative processes.



Figure 3. Conceptual Framework

## 2.8. Theoretical and Managerial Implications

In theory, this idea adds to both the service quality and entrepreneurship literatures by showing how ESQ can connect two areas that have always been separate. It broadens the dynamic capabilities framework to encompass services, illustrating that innovation capability is inadequate without an entrepreneurial orientation to convert it into customer value.

From a management point of view, companies should create cultures that encourage trying new things, learning, and working together. Managers need to give their employees the freedom to act like entrepreneurs, set up flexible feedback systems, and use their ability to innovate to constantly improve service experiences. The ESQ framework is a way to see how well companies incorporate entrepreneurship into managing service quality.

## 3. Research Model and Hypotheses Development

### 3.1. Conceptual Model Overview

This study builds on the theoretical ideas presented in Section 2 by proposing a conceptual framework (Figure 2) that connects Innovation Capability (IC), Entrepreneurial Service Quality (ESQ), and Customer Value Creation (CVC). The model posits that innovation capability acts as a dynamic organizational precursor that empowers firms to conceptualize, modify, and provide services via entrepreneurial mechanisms, whereas ESQ functions as a strategic intermediary that converts innovation potential into concrete customer value.

Figure 3 conceptually depicts that:

Companies that are better at coming up with new ideas are more likely to create entrepreneurial service quality practices.

The quality of entrepreneurial service directly increases the value that customers create.

ESQ serves as the link between innovation capability and customer value creation, turning innovation into better service experiences.

### 3.2. The ability to innovate and the quality of service provided by entrepreneurs

Innovation capability is the ability of a company to see market opportunities, come up with new ideas, and put in place new processes that keep them ahead of the competition [14], [17]. Teece et al. [14] assert that

dynamic capabilities, including sensing, seizing, and reconfiguring, are crucial for converting innovation potential into market performance. In the realm of services, this is evident in the agility of service design, the incorporation of customer insights, and technology-facilitated delivery [7], [18].

This research defines Entrepreneurial Service Quality (ESQ) as the necessity for organizations to integrate entrepreneurial orientation—characterized by innovativeness, proactiveness, and risk-taking [8, 9]—with the capacity to adapt service systems to accommodate changing customer requirements. Companies that are good at coming up with new ideas have the technical know-how and resource flexibility to make these entrepreneurial behaviors a part of their service operations.

Innovation capability also helps create a culture that values learning, which encourages employees to try new things, make changes, and adapt service processes—three things that are very important for ESQ. Lawson and Samson's [18] empirical findings corroborate that innovation capability augments the organization's proficiency in formulating service processes that are both efficient and adaptable. In the same way, Kandampully [7] said that to stay competitive, service innovation needs both technological knowledge and learning through networks.

So, companies that are better at coming up with new ideas are more likely to turn their business potential into flexible service quality systems that include creativity, risk management, and co-creation. This line of thought leads to the following hypothesis:

*H1: The ability to innovate has a positive and important effect on the quality of service provided by entrepreneurs.*

### 3.3. The Quality of Entrepreneurial Services and the Creation of Value for Customers

Customer Value Creation (CVC) is widely acknowledged as the principal objective of modern marketing and entrepreneurship [11], [19]. In the Service-Dominant Logic (SDL) framework, value is co-created instead of delivered; customers actively participate in creating experiences that meet their contextual needs [11, 21]. So, the company's job is to make this process easier and more flexible by providing adaptable, innovative, and interactive service platforms.

Service for Entrepreneurs Quality combines service practices that focus on innovation with co-creation that focuses on the customer. The entrepreneurial aspect, which includes being open to new ideas, being responsive, and being able to spot new opportunities, helps businesses stay ahead of changing customer needs [9], [20]. At the same time, the quality dimension makes sure that these business ventures are well-organized, dependable, and in line with goals for customer satisfaction.

Edvardsson and Enquist [10] discovered that service innovation and quality integration result in enhanced value outcomes, as customers recognize greater experiential and relational benefits when companies exhibit adaptability and authenticity in their service interactions. Prahalad and Ramaswamy [19] also said that co-creation makes customers feel more like they own something and more involved, which leads to a higher perceived value.

So, when businesses include entrepreneurial behavior in the design and delivery of their services, they make it possible for value to be renewed over and over again, which builds trust and loyalty. So, the following hypothesis is put forward:

*H2: Entrepreneurial Service Quality positively and significantly impacts Customer Value Creation.*

### 3.4. The Role of Entrepreneurial Service Quality as a Mediator

Innovation capability is the basis for creating value, but it doesn't always have a direct effect on customer outcomes [17], [18]. How well organizations use innovation in their service processes determines how well it translates into market performance. Without an entrepreneurial mindset, the ability to innovate may lead to technical improvements that don't meet the needs of customers [4], [5].

Service for Entrepreneurs Quality helps fill this gap by acting as a bridge. As a dynamic capability, ESQ turns the ability to innovate into market-based results by adding customer co-creation and entrepreneurial adaptability to service practices. Companies use ESQ to turn their efforts to innovate into personalized, meaningful, and value-added customer experiences.

Teece [17] contended that the ability to reconfigure and allocate resources in response to customer feedback is critical to the success of innovation-driven strategies. Wiklund and Shepherd [20] similarly showed that entrepreneurial orientation acts as a bridge between a company's resources and its performance. This means that entrepreneurial mechanisms turn potential into actual results.

In this study, ESQ functions as a mediator, converting innovation capability (an internal potential) into customer value (an external outcome). So, the following hypothesis is put forward:

H3: The quality of entrepreneurial services acts as a bridge between the ability to innovate and the creation of customer value.

The previous discussion has led to the following summary of the conceptual framework and hypotheses:  
H1: The ability to innovate leads to better service quality for entrepreneurs.

H2: The quality of entrepreneurial service leads to the creation of customer value.

H3: Service for Entrepreneurs Quality acts as a bridge between Innovation Capability and Customer Value Creation.

This model sees ESQ as the main way to connect an organization's internal capabilities to market outcomes. It fits with the ideas of dynamic capabilities and service-dominant logic, showing that having an edge over the competition comes not just from having more resources, but also from entrepreneurs improving service quality systems.

## 4. RESULTS AND DISCUSSION

### 4.1. Overview of Analytical Approach

To empirically validate the proposed conceptual model linking Innovation Capability (IC), Entrepreneurial Service Quality (ESQ), and Customer Value Creation (CVC), data were collected via a structured questionnaire administered to 420 managers and service professionals from innovation-driven service firms in the technology, finance, and hospitality sectors. After checking for completeness and outliers, 392 valid responses were kept for analysis, which is a response rate of 93.3% (Table 1 and 2).

In line with the suggestions of Hair et al. [1], Partial Least Squares Structural Equation Modeling (PLS-SEM) was utilized through SmartPLS 4.0 to evaluate both the measurement and structural models. The analytical procedure consisted of two phases: (1) validation of construct reliability and validity, and (2) testing the proposed relationships (H1–H3).

Table 1. Measurement Model Evaluation: Reliability and Convergent Validity

Construct	Items	Cronbach's $\alpha$	Composite Reliability (CR)	Average Variance Extracted (AVE)	Result
Innovation Capability (IC)	6	0.89	0.92	0.67	Acceptable
Entrepreneurial Service Quality (ESQ)	8	0.91	0.94	0.72	Acceptable
Customer Value Creation (CVC)	5	0.88	0.91	0.69	Acceptable

All CR > 0.70 and AVE > 0.50, confirming internal consistency and convergent validity [1], [3].

Table 2. Discriminant Validity Assessment (Fornell–Larcker Criterion)

Construct	IC	ESQ	CVC
Innovation Capability (IC)	<b>0.819</b>		
Entrepreneurial Service Quality (ESQ)	0.628	<b>0.848</b>	
Customer Value Creation (CVC)	0.594	0.662	<b>0.831</b>

Diagonal values ( $\sqrt{\text{AVE}}$ ) are shown in bold; off-diagonal entries represent inter-construct correlations.

All HTMT ratios < 0.85 [4].

Table 3. Structural Model Assessment

Dependent Variable	Predictor Variable	Path Coefficient ( $\beta$ )	t-Value	p-Value	R <sup>2</sup>	Result
Entrepreneurial Service Quality (ESQ)	Innovation Capability (IC)	0.71	13.42	< 0.001	0.64	Supported (H1)
Customer Value Creation (CVC)	Entrepreneurial Service Quality (ESQ)	0.65	11.08	< 0.001	0.58	Supported (H2)

Model fit indices: GoF = 0.61 (large effect); SRMR = 0.041 (< 0.08) → Good fit [6], [7] (Table 3).

Table 4. Mediation Analysis of Entrepreneurial Service Quality (ESQ)

Path	Direct Effect ( $\beta$ )	Indirect Effect ( $\beta$ )	t-Value	p-Value	Mediation Type	Result
IC → CVC (via ESQ)	0.28 ns	0.46	8.92	< 0.001	Full Mediation	Supported (H3)

Significance tested via bootstrapping (5,000 samples) [1], [5]. “ns” = non-significant direct path. (Table

4)

### 4.2. Measurement Model Evaluation

#### 4.2.1. Reliability and Convergent Validity

We used Cronbach's alpha ( $\alpha$ ) and Composite Reliability (CR) to check the reliability of the constructs. Both of these values were higher than the recommended level of 0.70 for all constructs [2]. In particular, IC ( $\alpha = 0.89$ , CR = 0.92), ESQ ( $\alpha = 0.91$ , CR = 0.94), and CVC ( $\alpha = 0.88$ , CR = 0.91) showed that they were very consistent within themselves.

We used Average Variance Extracted (AVE) to test convergent validity. This value was higher than 0.50 for all constructs, which shows that the indicators are good representations of their latent variables [3]. The AVE values were 0.67 for IC, 0.72 for ESQ, and 0.69 for CVC, which means that there was enough shared variance in each construct.

#### 4.2.2. Discriminant Validity

To guarantee the distinctiveness of the constructs, Fornell–Larcker and Heterotrait–Monotrait (HTMT) criteria were utilized. The square root of each construct's AVE was higher than the inter-construct correlations, and all of the HTMT ratios were below 0.85, which confirmed good discriminant validity [4].

We also looked at cross-loadings to make sure that each indicator loaded more on its own construct than on any other, which showed that the model was strong and could tell the difference between groups.

### 4.3. Structural Model Assessment

#### 4.3.1. Multicollinearity and Model Fit

The Variance Inflation Factors (VIF) for all predictor constructs were between 1.32 and 2.11, which is less than 3.0. This means that multicollinearity was not a problem [5]. Model fit indices showed that the model did a good job of explaining the data, with  $R^2$  values of 0.64 for ESQ and 0.58 for CVC. This means that the model explained 64% and 58% of the variance in these constructs, respectively.

The Goodness of Fit (GoF) index was 0.61, which was higher than the 0.36 threshold for large effect sizes [6]. This means that the model was very valid overall. The SRMR (Standardized Root Mean Square Residual) was 0.041, which is below the acceptable limit of 0.08, which shows that the model fit was good [7].

#### 4.3.2. Hypotheses Testing

The path coefficients were calculated through bootstrapping (5,000 resamples) to evaluate the proposed hypotheses (H1–H3). All proposed relationships were determined to be significant at  $p < 0.01$  (Table 5).

Table 5. Hypotheses Testing

Hypothesis	Relationship	Path Coefficient ( $\beta$ )	t-value	p-value	Result
H1	IC $\rightarrow$ ESQ	0.71	13.42	<0.001	Supported
H2	ESQ $\rightarrow$ CVC	0.65	11.08	<0.001	Supported
H3	IC $\rightarrow$ CVC (mediated by ESQ)	0.46 (indirect)	8.92	<0.001	Supported

These results show that innovation capability has a big positive effect on ESQ ( $\beta = 0.71$ ), which in turn has a big positive effect on creating value for customers ( $\beta = 0.65$ ). The mediation test also shows that ESQ is a key link between a company's ability to innovate and its ability to give customers more value.

### 4.4. Discussion of Key Findings

The positive and significant impact of innovation capability on ESQ (H1) supports previous assertions that innovation-driven companies have the adaptability and learning focus required to promote entrepreneurial service delivery [8], [9]. These findings are consistent with the dynamic capabilities framework posited by Teece et al. [10], highlighting that organizations adept at identifying and capitalizing on opportunities are more inclined to integrate innovation into their service processes. In particular, firms that actively invest in technological and organizational innovation tend to exhibit higher levels of entrepreneurial adaptability and service experimentation, two defining features of ESQ. This indicates that innovation capability not only improves operational performance but also leads to strategic service differentiation, aligning with Lawson and Samson's [11] definition of innovation capability as a dynamic process of renewal.

The strong positive link between ESQ and CVC (H2) shows how important an entrepreneurial service orientation is for helping customers create value. In line with Vargo and Lusch's Service-Dominant Logic (SDL)

[12], ESQ acts as a value-enabling tool that brings customers into the process of co-creation. Companies that are proactive, willing to take risks, and come up with new ideas when dealing with customers tend to get them to help them create service experiences that add value-in-use. This finding corroborates the research of Prahalad and Ramaswamy [13], who asserted that customer engagement enhances experiential value and emotional affiliation with brands.

Moreover, the multidimensional aspects of ESQ—encompassing entrepreneurial adaptability, innovation integration, and co-creative orientation—indicate that customer value creation is not solely a result of service performance but rather an ongoing, interactive learning process. These findings enhance the comprehension of how entrepreneurship can be implemented at the service interface. The mediation analysis offers robust empirical validation for H3, substantiating that ESQ mediates the relationship between innovation capability and customer value creation. This finding is theoretically significant as it elucidates the conversion of innovation capabilities into customer-perceived value.

Without entrepreneurial tools like trying new things, seeing opportunities, and working together to create something new, innovation capability may not be used as much as it could be or may not meet customer needs. The mediating role of ESQ illustrates that entrepreneurial orientation serves as the catalyst that directs innovation towards significant value outcomes. This finding builds on earlier studies by Lumpkin and Dess [14] and Wiklund and Shepherd [15], who stressed that entrepreneurial orientation by itself cannot ensure performance improvements unless it is put into action through processes that are specific to the situation. In service contexts, ESQ acts as that operational mechanism, making sure that investments in innovation lead to innovation performance that focuses on the customer.

## 5. CONCLUSION AND IMPLICATIONS

The main goal of this study was to create and test a new idea for Entrepreneurial Service Quality (ESQ), which is a framework that brings together innovation capability, entrepreneurial orientation, and customer value creation. This research, informed by dynamic capabilities theory [1], entrepreneurial orientation perspective [2], and service-dominant logic (SDL) [3], aimed to address a pivotal inquiry: How does innovation capability convert into customer value via entrepreneurial service processes? The suggested framework placed Entrepreneurial Service Quality as a mediating construct between Innovation Capability (IC) and Customer Value Creation (CVC). The rigorous PLS-SEM analysis yielded robust empirical support for all three hypotheses (H1–H3), validating that ESQ functions as a dynamic capability through which innovation and entrepreneurship collaboratively elevate service excellence and customer value outcomes.

The findings indicate that innovation capability has a substantial impact on the advancement of Entrepreneurial Service Quality ( $\beta = 0.71$ ,  $p < 0.001$ ). This is in line with what Teece et al. [1] and Lawson and Samson [4] found before, which was that innovation capability is the engine of continuous renewal and adaptability. This study defined innovation capability not solely as technological advancement but also as organizational learning, adaptability, and creativity in the development of customer-centric services. This means that companies that are better at coming up with new ideas can easily include entrepreneurial thinking into their service systems. This lets them spot and take advantage of opportunities, try out new service models, and work with customers to create new forms of value. So, innovation capability is the structural basis of ESQ, which is a basic factor that makes it possible for entrepreneurs to be responsive in service settings.

The research validated that Entrepreneurial Service Quality has a significant and favorable influence on Customer Value Creation ( $\beta = 0.65$ ,  $p < 0.001$ ). ESQ thus becomes the operational mechanism that converts innovative potential into benefits that customers perceive. This finding aligns with Vargo and Lusch's Service-Dominant Logic (SDL) [3], which asserts that value is co-created through service interactions rather than solely generated by firms. The multidimensional nature of ESQ—encompassing entrepreneurial adaptability, innovation integration, and co-creative orientation—highlights that service quality in entrepreneurial contexts is now characterized by strategic flexibility, learning, and collaboration rather than stability or conformity. Companies that use entrepreneurial thinking in their service delivery processes not only make their customers happier, but they also create long-term value and make their brands stronger.

The mediation analysis demonstrated that ESQ completely mediates the relationship between Innovation Capability and Customer Value Creation (indirect  $\beta = 0.46$ ,  $p < 0.001$ ). This underscores that innovation capability alone is inadequate for creating customer value unless it is facilitated through entrepreneurial service mechanisms. This finding builds on earlier work by Lumpkin and Dess [2] and Wiklund and Shepherd [5] by showing that entrepreneurial behavior is the link between innovation inputs and market outcomes. Without ESQ, innovation might only happen within the company. With ESQ, it happens outside the company through things like engaging with customers, being responsive, and creating experiences together.

In a time when technology is changing quickly and customers have more power, the new competitive edge comes from the intersection of innovation, entrepreneurship, and service management. This research represents a groundbreaking advancement in comprehending how organizations can convert their innovation

capacity into enduring customer value via Entrepreneurial Service Quality. This research enhances both academic discourse and managerial practice by integrating theoretical depth with empirical rigor. It sees ESQ not as a fixed way to measure service delivery, but as a living ability that changes through interaction, creativity, and co-creation. In the end, Entrepreneurial Service Quality is the strategic DNA of modern service companies. It gives them the ability to stay flexible, creative, and focused on value in a global market that is always changing.

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