

Trends and issues in the evolving service innovation policy

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**High-Level Roundtable on Innovation in Services
Brussels, 27 November, 2008**

Services are now recognised

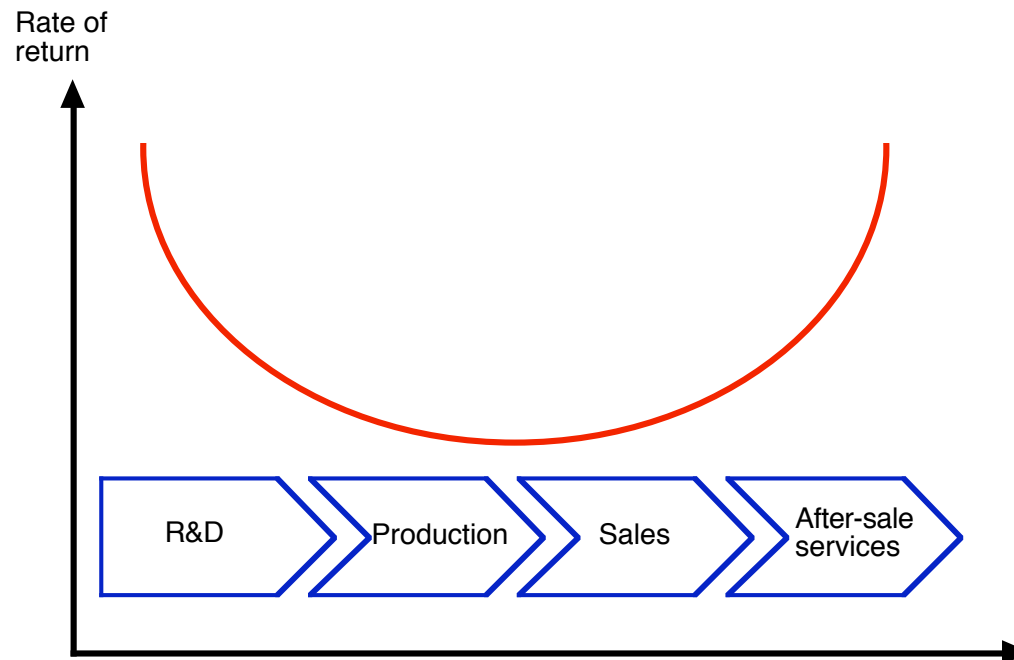
- **Policy makers are increasingly recognising that services have central role in the economy**
 - *A well-functioning services sector is key to the overall economic performance of OECD countries and to the welfare of its citizens.*
 - *Reform of services sector policies provides an important opportunity for policy makers to strengthen employment, productivity and innovation.*

Source: OECD, 2005, Growth in Services Fostering Employment, Productivity and Innovation

There is a pressure to develop services

- **Smile curve**

- **Intangible parts of the value chain are increasingly important revenue generators for manufacturing industries**



The value of manufactured products is increasingly based on intangibles

E.g., brand value of a Volvo, BMW, Mercedes cars

There is a need for policy change

- **Socio-economic importance of services is not reflected**
 - In services R&D which remains underdeveloped*
 - As do the public support measures for service innovation
- **Current policies are biased towards manufacturing giving limited attention to non-technological R&D**
- **There is a need for better integration of services in innovation systems**

*According to official R&D statistics

Progress of service innovation policy

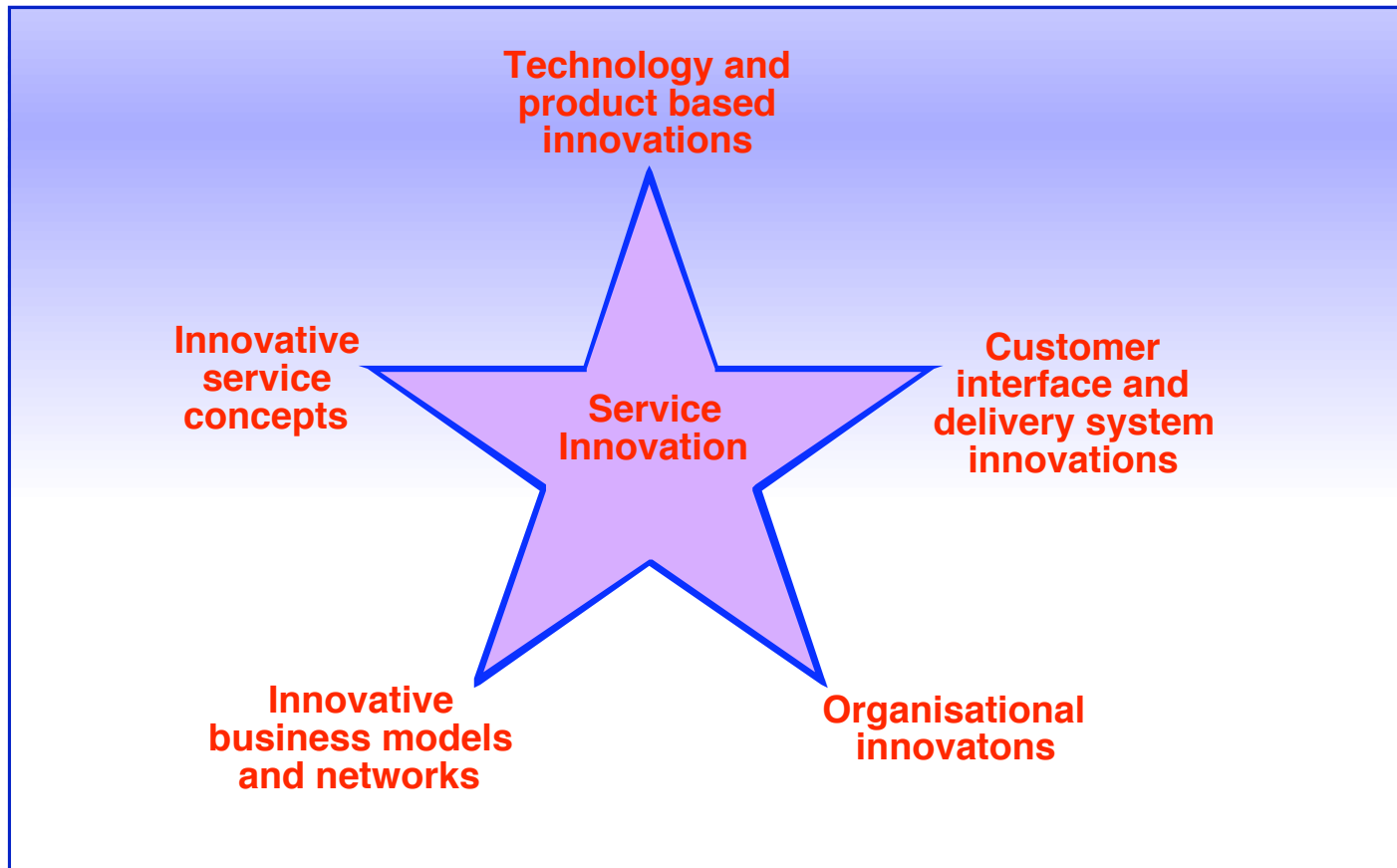
- **Has already gained momentum in a number of developed countries**
 - Australia, Finland, Germany, Ireland, Netherlands, Sweden and the United Kingdom, and also at the European Union level.
- **Several countries, OECD and EU, have launched high-level policy documents addressing service innovation promotion.**
 - E.g. Finland, Ireland, Japan and Australia are emphasising service innovation elements in their new innovation strategies.
- **Non-technological and demand-driven innovation are recognised as essential**
 - In tackling urgent national challenges such as
 - Ageing population, international competitiveness and the renewal of manufacturing.

Challenges

- **It is a novel policy area with limited number of service specific instruments**
 - E.g. innovation vouchers that can be used for purchasing of expert services
- **Organisations that are delivering policy have little if any experience in service innovation promotion**
 - They are facing a very steep learning curve
- **It is not easy to change existing policy delivery**
 - Broader agenda and new target groups
 - More recipients that are sharing the R&D supports

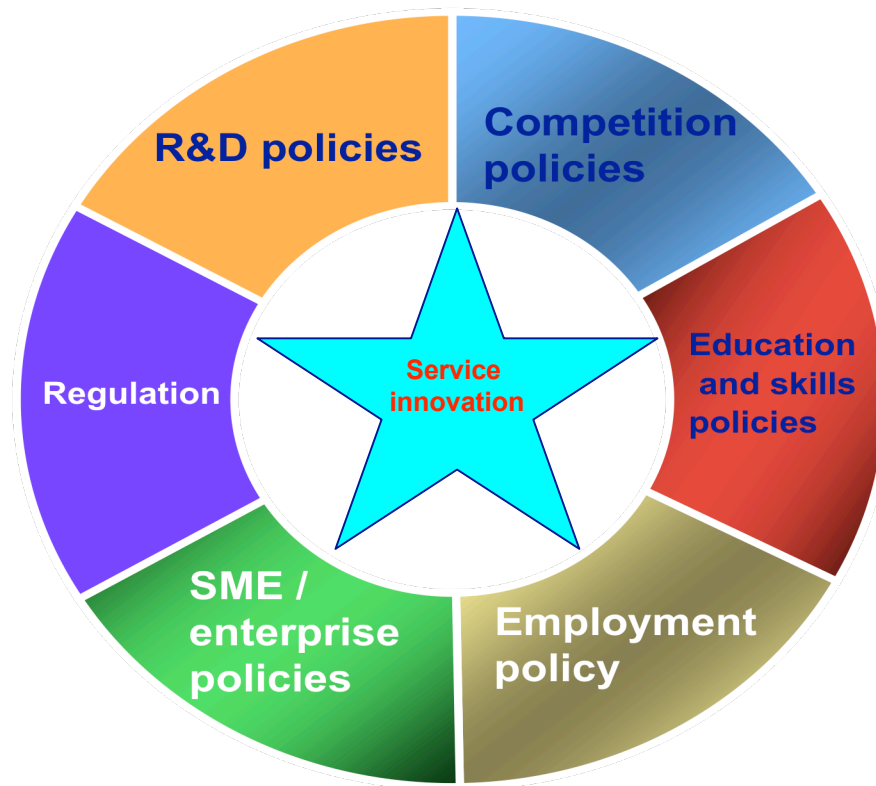
Starting point - SERVICES

- **Service innovation is multidimensional, and**
 - Any dimension can be driver, or hindrance to service innovation



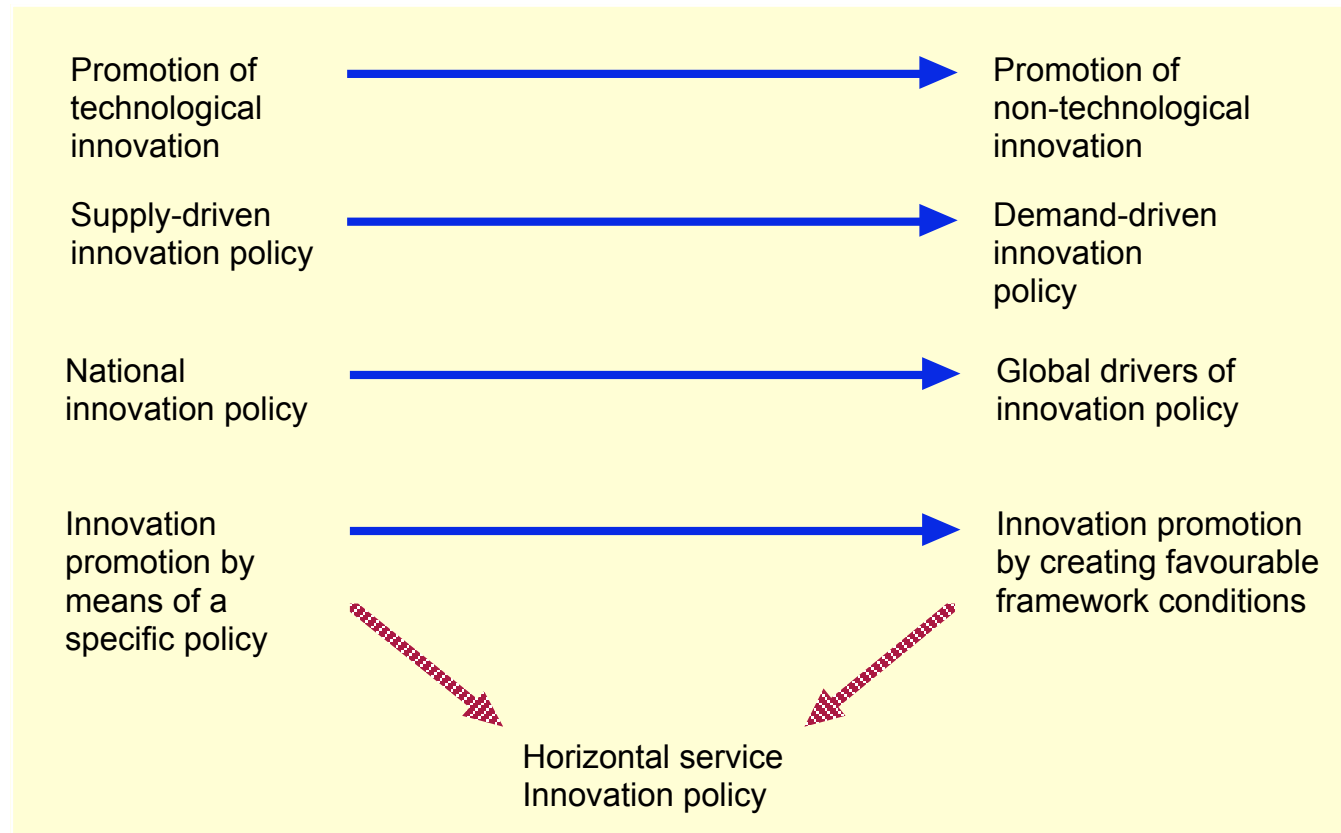
Starting point - POLICY

- Any given policy can drive, or be hindrance to service innovation
 - But very few policies recognise the influence they have on service innovation
 - R&D policies tend to have technology bias



Policy approach is evolving

- **Towards broader perspective and horizontal approach**



Possible next steps towards Lisbon 3% target

- **For example, CREST *Working Group on R&D in Services* proposes several actions to be taken**
 - **Regular exchange of views on research and innovation in services between private and public sector stakeholders**
 - **It encourages universities and public research institutes to explore the subjects of service sciences and service engineering**
 - **R&D in Services working group could continue its work, e.g. under OMC NET platform**
 - **European research activities are important e.g., ERANet type initiatives**
 - **Possible expansion of research activity on services in the context of Framework Programmes (FP7 and FP8)**

Thank you for your attention!

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Some policy papers

- **The presentation builds on the following papers contributed by the author:**
 - **(2007) Innovation Policy project in Services – IPPS 2006-2007, Draft Policy Blueprint report, submitted for the DG Enterprise, European Commission.**
 - **(2008) R&D in Services – review and case studies, A paper submitted for the CREST • R&D in Services Working Group, DG Research, European Commission.**
 - **(2008) Services and Innovation - Evolving Service Innovation Policy, Drivers and Barriers, Horizontal and Framework Policies Stimulating Innovation in Service Enterprises, Forfás, Dublin, Ireland.**
 - **(2008) Towards High Performance Services - Implications for Innovation Policy, A Review of Research Literature, Commonwealth of Australia, Canberra.**