Service Innovation fuels recovery and growth

The role of service innovation is critical in the European economy. Service innovation is among the key factors contributing to future growth and well-being. The positive impact of service innovation is realized through:

- Creating jobs and employment
- Renewing industries and clusters
- Tackling the grand societal challenges
- Building a sustainable Europe
- Creating competitive advantage for European businesses across sectors

Service innovation is a phenomenon that cuts across the economy and it is a crucial element in the sustainable growth and recovery of the European economy. Service innovation is a powerful horizontal driver of renewal. It can effectively transform both public and private services as well as traditional manufacturing industries. Service innovation has a unique capability to create value by combining technological knowledge with intangible competences to provide scalable, global and competitive solutions across different sectors. Systemic solutions have a major role in tackling societal challenges and creating new business opportunities for companies from very different backgrounds across the economy.
Drivers of service innovation

- Volatile global market place in which intangibles drive competitiveness
- Public sector and infrastructure renewal encouraging a systemic approach
- Globalisation versus localisation forces which create new opportunities and basis for differentiation
- Demographic changes, social polarisation and lack of workforce that shape the market structure and demand
- Emerging markets and new types of innovation processes creating opportunities for tailored innovative solutions
- Changing values favouring social, ethical and ecological responsibility as sources of innovation and competitive advantage
- Different roles of technology enabling simple, efficient and user-friendly solutions
- Increasingly open innovation process and new types of innovation actors guaranteeing scalable need- and user-driven solutions

Barriers to service innovation

- Fragmented European service markets hampered by barriers to cross-border trade, regulation, cultural aspects and language differences
- Lack of financing for high-growth innovative service businesses
- Weak service innovation mindset among policymakers and the business and financing community
- Service innovation takes place across many different industries which creates challenges for coherent service innovation policy development
- Underperforming service industries with limited links to the research and innovation system
- Lack of relevant employee skills, competences and capabilities
- Challenging service innovation management due to the complex nature and variety of service innovations
- Limited competences for engaging users and employees in service innovation development

EPISIS Strategy for European Service Innovation

Multi-disciplinary competencies, capabilities and knowledge co-creation

- Multi-disciplinary knowledge
- Methods for client insight
- Service design
- Knowledge value networks and knowledge co-creation
- Emphasis on demand factors in research, education, training

Innovative service and solutions business

- Open, co-creative and rapid nature of innovation (experimentation)
- User and employee driven innovation
- New types of innovation actors
- Social, ecological and ethical responsibility
- Value creation networks
- Optimal technology utilisation

Dynamic European markets

- Modern infrastructure
- Innovation-friendly regulation
- Smart standardization
- Public procurement as incentive
- Open public sector data
- Smart financial solutions for growth
- Systemic innovations as solutions to grand challenges

Service Innovations

Employment

Renewal of industries, networks and clusters

Future growth & well-being

Grand challenges

Sustainable Europe

Competitive advantage

Strategic thematic areas

The major building blocks for service innovation remain the same even though the world around us is evolving rapidly. The strategic thematic areas need continuous long-term effort and development. What differentiates service innovation from the traditional innovation policy agenda is the focus on intangibles. The strategic thematic areas include:

1. Enforcing dynamic markets as a driver of innovative service and solutions business in Europe
   Dynamic market act as a driver of service innovation. It is imperative to promote the free flow of services, address obstacles to the internal market for services and fully implement existing policies.

2. Investing in multi-disciplinary competences, capabilities and knowledge co-creation
   Europe’s future economic growth and competitiveness requires intangible investments. It is the multi-disciplinary and intangible nature and also the involvement of users that makes service innovation competences distinctive.

3. Leveraging the full potential of innovative service and solutions business
   Innovative service and solutions business have a huge potential to be an engine of innovation and growth. With service business, companies across sectors can be pioneers of new business models, new organisational forms and engage users as resources in new types of innovation processes.
Short-term priorities

1. Creation of an internationally shared knowledge base on service innovation in the EU
   Creation of a policy support community to collect knowledge and effective practices on service innovation and to develop service innovation indicators and evaluation methods

2. Influence FP7, Horizon 2020 and other EU support programmes
   Establish more forward looking initiatives and tailor the support for service innovation, including new areas like innovation-friendly regulation, taxation and smart standardisation

3. Raise awareness within EU institutions and EU27
   Comprehensively highlight the role, importance and impact of service innovation across both policy support sectors and the economy through information sharing, events and benchmarking

4. Influence the upcoming High-Level Group on Business Services
   Employ intelligent regulation and deregulation in order to create demand and new markets and to facilitate cross-border growth opportunities

5. Influence the European Single Market Act
   Organise a continuous follow-up of the performance of service businesses in the Single Market, including the development of indicators for the Service Directive and the development of smart financing solutions

Longer term priorities

1. Competence building
   Develop more collaborative methods of determining research topics and establish novel activities like EU-wide master courses, executive training and a mobility programme on service innovation

2. Leverage the full potential of innovative service and solutions business
   Establish experimentation platforms for companies and recognise the new innovation paradigm and the new types of innovation actors, as well as the business potential of soft values in EU programmes

3. Enforce dynamic European markets for service businesses
   Promote the development of smart services standardization, the use of innovation-friendly procurement practices and the full implementation of the PSI Directive on public sector information

4. Provide smart financial solutions for growth
   Create tailored funding offerings and mechanisms to recognise the variety of services and establish specific funding intermediaries as well as a European venture capital market for service businesses

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The EPISIS Consortium consists of the leading European public authorities including Tekes (Finland, the Coordinator), BIS (the UK), DASTI (Denmark), PT-DLR (Germany) and Vinnova (Sweden). More information www.proinno-europe.eu/episis.

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