
Managing innovation in services

John Bessant



AIM and Imperial College

What's in a name?

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- Innovation happens in services, but the language often differs
 - **Covers all the bases - product, process, position, paradigm**
 - **Public sector – the ‘Cinderella’ story**
 - **As with manufacturing, mostly ‘do better’ but occasional ‘do different’ (radical) innovation**
 - **Growing use of formal roles, structures and approaches**

Drivers of innovation in services

- Price and non-price factors
- ‘Servicization’ and ‘productization’
- Services are often easy to imitate so emphasis shifts to long-term relationships with users
- Increasing importance of customisation – towards co-design
- Outsourcing – transactional and strategic
- Knowledge-intensive business services as bridges and brokers

Managing innovation in services

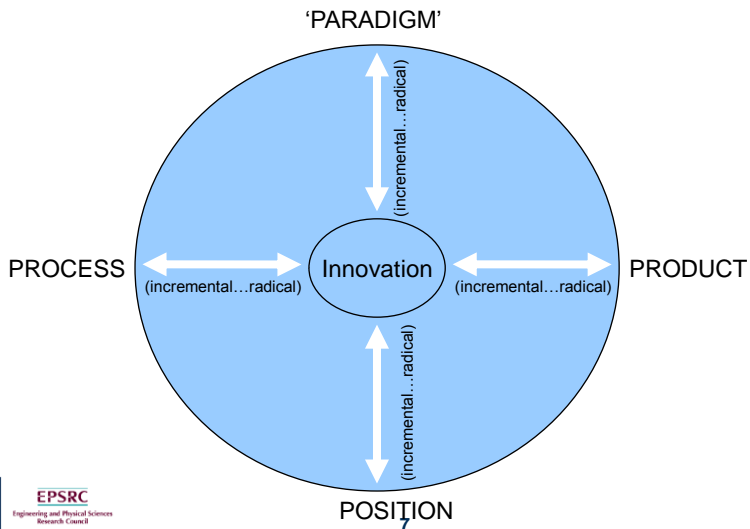
- The old challenges apply – search, select, implement
- Core model applies – but needs configuring
- Segmentation a key issue – services very heterogeneous
- Strong tradition of incremental process innovation
- Radical innovation often needs to involve stakeholders more intensively

Measuring innovation in services

- **Inputs, process, outputs**
- **Inputs – little ‘formal R&D’ but much activity**
- **Importance of *user-side* research – prototyping etc.**
- **Innovation process – emergence of ‘good practice’ models and audits**
- **Outputs – ‘conventional’ measures – e.g. productivity gains, cost savings, etc. for process innovation and % of turnover from new services ...**
- **Scope for new measures?**

Some policy-related issues

- **The language issue - ‘R&D’, ‘ and services?’**
- **If models for manufacturing read across, then support for their diffusion? (c.f. ‘Fit for the future’.....)**
- **Segment and understand different service players have different needs**
- **KIBS as a growth sector – need for a more structured approach?**
- **Facilitate radical innovation through stakeholder forums**
- **Cross-sector and within sector learning**
- **Promote toolmaking and diffusion – e.g. design tools for prototyping and customisation?**



Simplified model of the innovation process



8



Towards mass customisation

Type	Manufacturing	Service
Cosmetic	T-shirts	Amazon picks, gifts
Assembly	Dell – assemble to order	Personalised banking, insurance, hotels, etc.
Manufacturing	BMW – make to order	Experience-based services, customised holidays, etc.
Design	Co-creation – lead users, design your own xxx	Co-creation – open source, active users