Overview – Main findings

- The diversity that characterises the service sector
- The rationale for service innovation policy
- A new framework to illustrate the coherence between policy strategies and implementation
- The role of service activities in global value chains
- New service innovation trends in firms
- New empirical evidence with the power to show service innovation throughout the economy and beyond formal R&D
The service sector consists of a wide set of industries.

Another issue is diversity that characterises the process and outcomes of service R&D and innovation such as:

- **Technological orientation** (from low-tech to high-tech)
- **R&D intensity** (from formal R&D performed inside separate R&D departments to employees within their day-to-day activities)
- **Knowledge intensity** (from less knowledge intensive sectors e.g. retail and tourism to knowledge intensive services such as software services)

Services also differ regarding the type and level of skills required

*Source: OECD secretariat, Policy Report on Service R&D and Innovation*
The rationale for service innovation policy

- **Market failures:**
  - Lack of tangible assets reduces safety in lending due to the absence of collateral
  - Firms cannot adequately capture the expected profits of a service innovation, as some service innovations can easily be used or copied by other firms
  - Service skills are embedded in employees, that requires extensive on-the-job training, and they can easily switch firms

- There are also opportunities as service innovation can create new markets and transform sectors

*Source: OECD secretariat, Policy Report on Service R&D and Innovation*
A framework to illustrate the coherence between service innovation policy and implementation

Source: OECD secretariat, Policy Report on Service R&D and Innovation
The role of services in global value chains

Source: OECD secretariat, Policy Report on Service R&D and Innovation
New service innovation trends in firms

Develop new services to address megatrends
- The shifting of wealth and knowledge production
- Aging population
- Environmental challenges
- Economic crisis

Spur and accelerate service R&D and innovation
- The increasing role of services in global value chains
- Opening up the innovation process to engage customers/employees/other firms
- Organising for flexibility to respond to global competition
- Focus on creating value for the customer (e.g. doing what the customer needs and not what you are good at)

Source: OECD secretariat, Policy Report on Service R&D and Innovation
New empirical evidence – beyond formal R&D

- Service innovation - spur and accelerate R&D and innovation in the bulk of the economy
- Case studies shows the importance of:
  - Knowledge-intensive services that, in addition to being highly innovative themselves, facilitate the innovative capacity of their clients
  - Service R&D and innovation for sustained competitiveness in global value chains
  - Manufacturing firms find new market opportunities by developing industrial services