



OECD POLICY REPORT ON SERVICE R&D AND INNOVATION

NESTI-TIP conference on R&D and innovation in services
Mario Cervantes & Irene Martinsson (OECD/STI)





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



Rolls-Royce





Policy challenge – targeting the diversity that characterises service activities

- 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



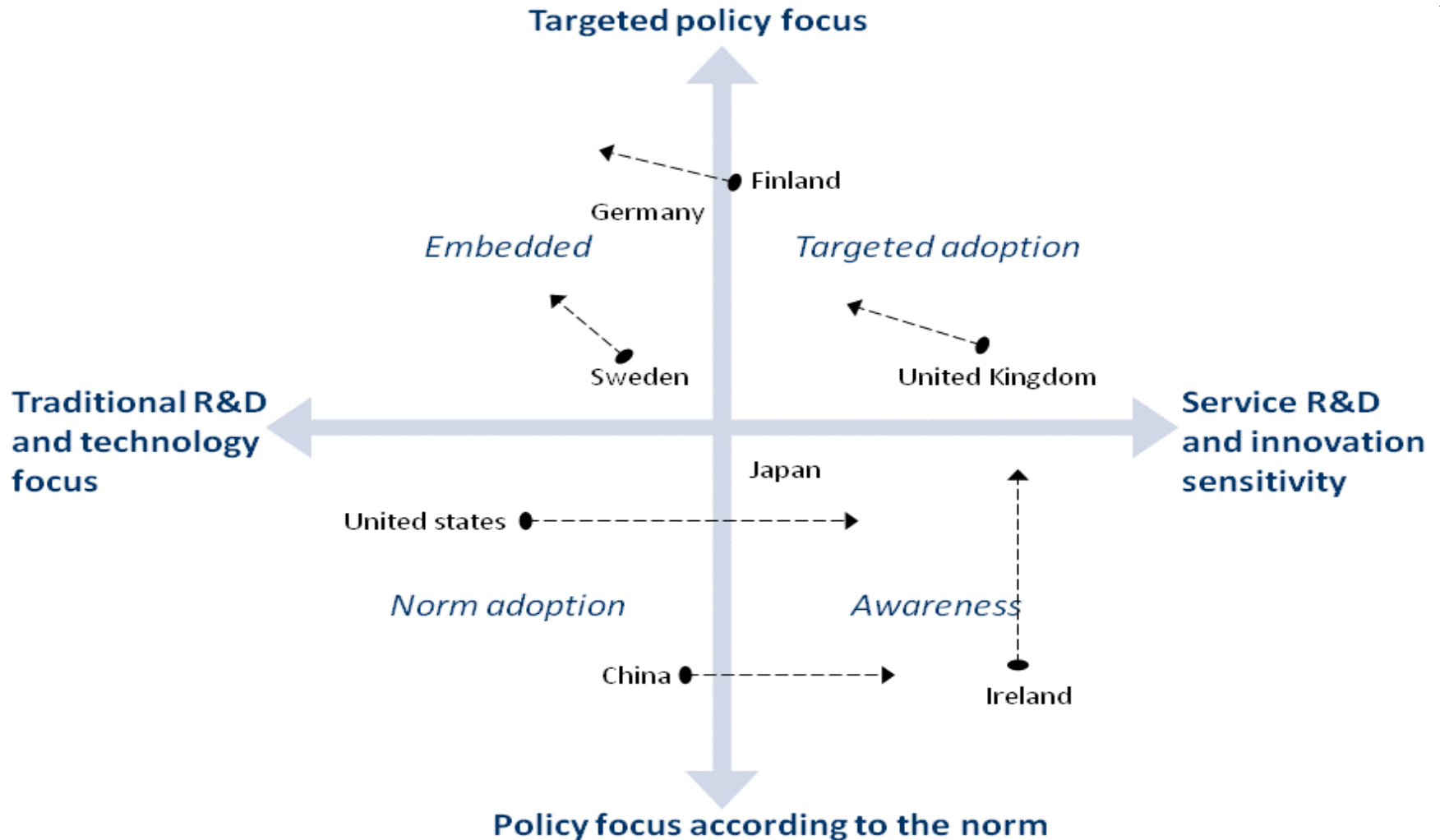
The rationale for service innovation policy

- **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





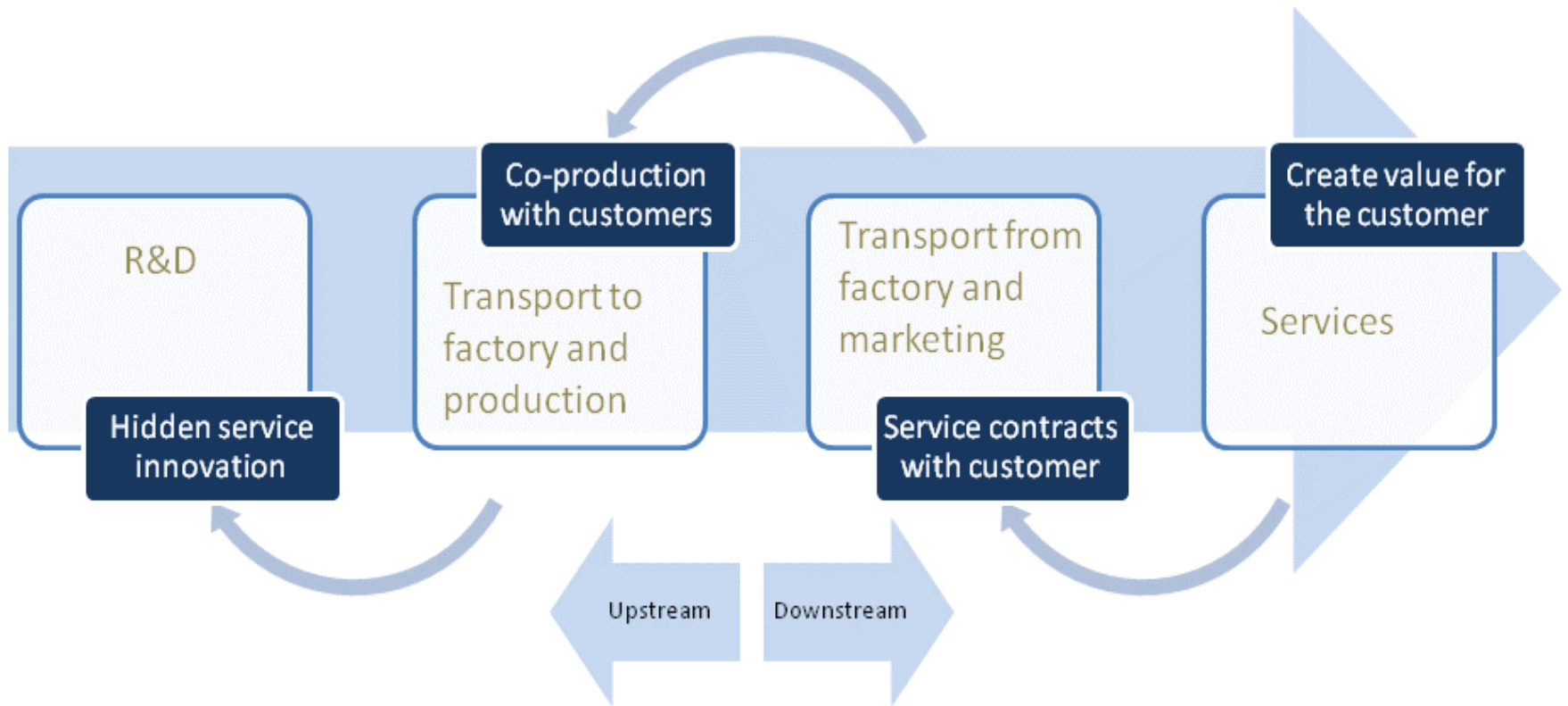
A framework to illustrate the coherence between service innovation policy and implementation



Source: OECD secretariat, Policy Report on Service R&D and Innovation

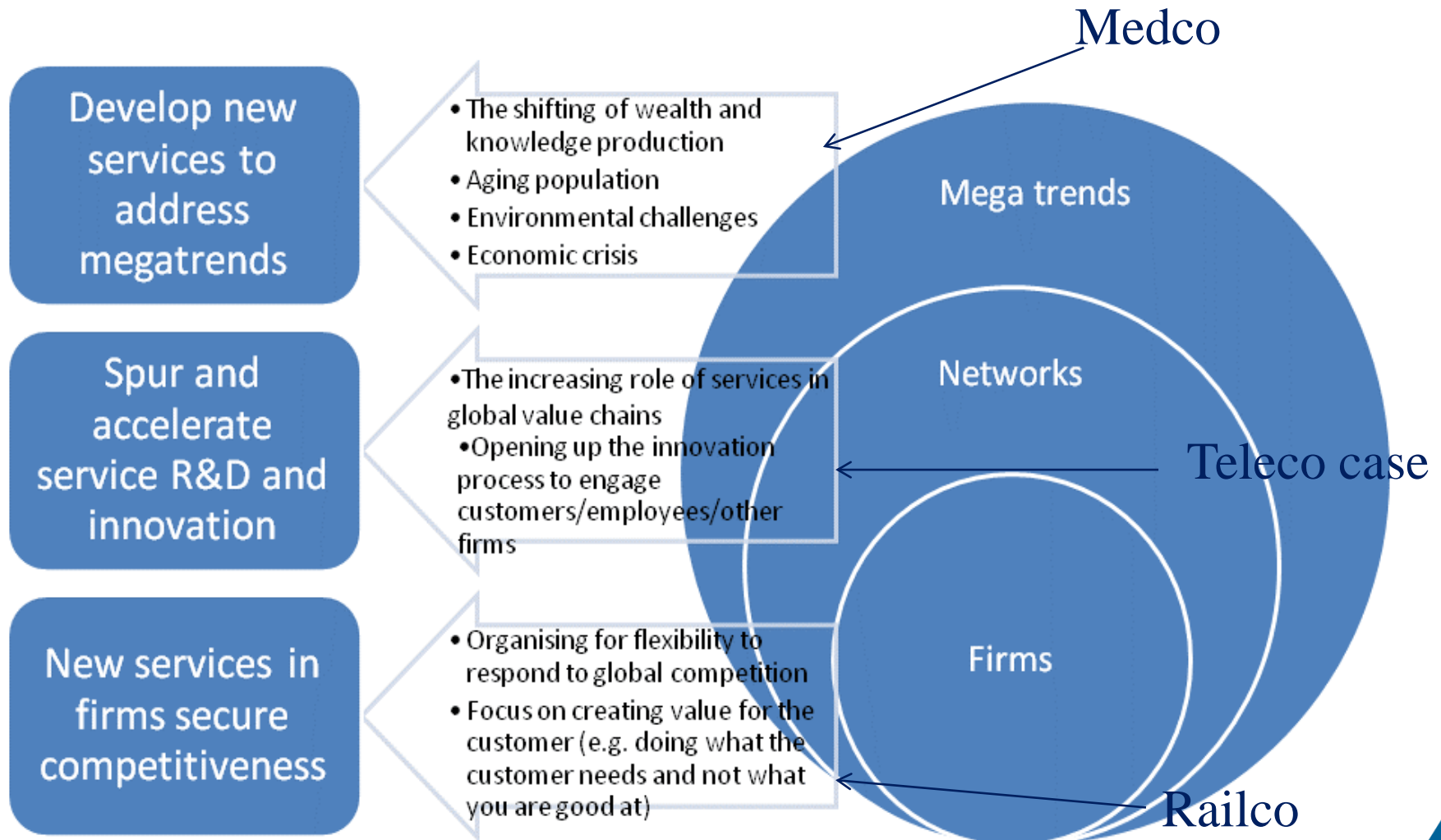


The role of services in global value chains





New service innovation trends in firms





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

