## Service innovation policy mapping template

This service innovation policy mapping study is part of the SSA Inno-Net project, which collects information on the existing policy measures supporting service innovations in target countries.

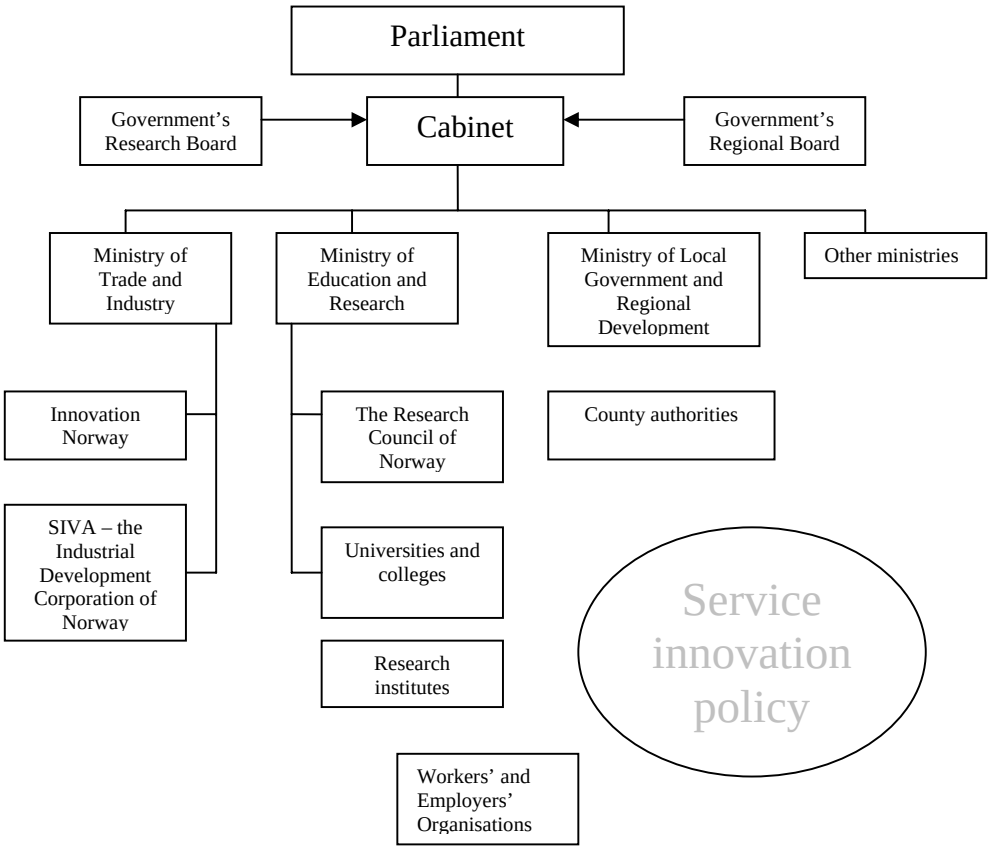
The mapping study of policy measures supporting service innovations in Norway is conducted by NIFU STEP – Studies in Innovation, Research and Education. Data collection for this study is based on general knowledge of the public support system, existing policy documents, and information about the specific programmes and measures on the web sites of the relevant organisations as well as telephone communication with contact persons for the specific measures.

The scope of this mapping study is rather narrow, focusing on measures directed at service innovation only. Most measures and programmes in Norway are horizontally oriented (open) to include firms independent of industrial sector. This mapping study will however not include all measures which are open to all industrial sectors and therefore also potentially support service innovations, but focus on the measures which target service innovation in particular.

Like in most OECD counties public and private service production make up a high percentage of value creation and employment in Norway. This mapping study is however only to focus on measures targeting increased service innovation in the private sector.

## 1. Schematic presentation of the innovation system

Key actors related to public and private service innovation policy design and delivery:




## 2. Which policy actors have recognised services and related innovations?

Below we have highlighted the various policy actors which engage in and recognise services and related innovations. The actors include the most relevant ministries, agencies related to service innovation, branch organisations and research institutes.

**Ministry of Education and Research** www.kd.dep.no
As responsible ministry for the latest White paper on Research (St.meld. nr.20, 2004-2005, Vilje til forskning, 'Commitment to Research') the Ministry of Education and Research has made some focus on research and innovation in services. The White paper points out the importance of structural changes in the Norwegian economy. The private service sector and public administration are the two sectors which have had the largest

growth in gross product in the period 1983 to 2003. The White paper acknowledges that the research efforts and innovation in services are quite different than in manufacturing.

**Ministry of Trade and Industry** www.nhd.dep.no
The Ministry of Trade and Industry has focused particularly on the role of innovation in the service sector. The importance of the service sector is in several speeches mentioned by the Minister of Trade and Industry. In 2004 the Ministry commissioned a specific study of innovation in the service sector and the project was performed by the consulting firm ECON. The report of the study was published in December 2004. According to a press release of the Ministry (16 October 2006), the Ministry has plans for a White paper on Innovation. For the first time innovation is the main theme of a White paper in Norway. The White paper will take a broad approach to innovation and a relevant topic to be treated in the White paper includes a policy for the service industries.

**Research Council of Norway** www.rcn.no
Together with Energy and Nanotechnology and Material Technology Information and Communication Technology (ICT) makes up the major strategic priority areas of the Research Council of Norway. This means that research and innovation in ICT products and services in the sector itself as well as the use of ICT products and services to enhance innovation in other sectors is considered very important for the Norwegian research system.

Additionally, the Research Council of Norway offers a range of user-driven R&D programmes. Until 01.01.2006 the Research Council administered a branch specific research programme targeting the service sector in particular. This programme was however merged with other research programmes and replaced by a larger research programme independent of branch called BIA (Brukerstyrt Innovasjons Arena, 'Programme for User-driven Research-based Innovation').

**Innovation Norway** www.invanor.no
Innovation Norway is a state-owned company promoting business development in all parts of Norway and seeks to release the business potential of various districts and regions by focusing on innovation, internationalisation and promotion. Innovation Norway offers a range of products and services to develop Norwegian districts and regions, to increase the innovation activities of all business firms and to promote Norwegian business and Norway as a tourist destination abroad. Most measures offered by Innovation Norway are branch independent; however some programmes are specifically designed for service firms. There are specific programmes directed towards service firms in the ICT sector, tourism and travel business, design as well as consultancy firms and knowledge environments offering services to other firms.

**HSH** www.hsh-org.no
The Federation of Norwegian Commercial and Service Enterprises (Handels- og Servicenæringens Hovedorganisasjon - HSH) is the organisation for trade and services and represents the interests of many service sectors in Norway. HSH represents retailers, wholesalers, importers, commercial agents, travel agencies, publishers, retail pharmacies

and IT firms, and service companies including staffing and employment services, accounting and financial services, cleaning firms, funeral services, healthcare and the care sector, culture, education, research, and interest organisations and associations, including substantial parts of the voluntary sector in Norway.

**SBL** www.sbl.no
National Federation of Service Industries (Servicebedriftenes landsforening - SBL) is an organisation supporting service companies in Norway. The organisation is associated with NHO-Confederation of Norwegian Enterprise. The service industry is developing fast and the organisation believes that finding new methods to improve and solve the tasks and challenges of the industry is of vital importance. Advanced technology has become an important ingredient in the day-to-day operations of the service industry. The various branches have different challenges and face different problems, but there are still much to learn from one another. SBL seeks to initiate the development of systems which make the members of the organisation the preferred suppliers of services to their customers. Ethics, technology, standardisation, certification and competence development are the most important focus areas for the work of SBL.

**Abelia – Association of Norwegian knowledge-based enterprises** www.abelia.no
Abelia is a non-profit, non-party political trade and employers association of Norwegian knowledge-based (service) enterprises. The organisation is also associated with NHO-Confederation of Norwegian Enterprise, Norway's leading employers' organisation. The member firms of Abelia include firms in the ICT industry, telecom, education, consultancy services and research and development (R&D). Some of the main objectives of the organisation are to influence Norwegian policy concerning government support for R&D, incentives for investing in knowledge and better incentives for cooperation between business, universities and R&D institutions.

There are several other branch-organisations working with service related policies, i.e. tourism, transport, energy, finance etc.

**Research institutes:**

The institute sector in Norway is large and manifold. The scope of this mapping study does not make possible a thorough examination of the specific thematic focus of all research institutes possibly engaged in research related to service innovation. Many research institutes are engaged in particular branch studies, like for instance the tourist or travelling business and ICT industry. Yet this mapping study is limited to include a sample of institutes which have conducted research projects on service innovation.

**ECON**, a Nordic consulting firm, has conducted several analyses of innovation in the service sector, amongst others a large study on Innovation in Services commissioned by the Ministry of Trade and Industry and finalised in 2005. www.econ.no

The research institute **NIFU STEP (Studies in Innovation, Research and Education)** was the lead partner of a large EU project on Innovation in Services (SI4S) finalised in

1999. NIFU STEP has also conducted the Norwegian studies of the OECD KISA project on Knowledge Intensive Service Activities, as well as contributed to the synthesis reports of the project finalised in 2006. www.nifustep.no

**Kunne** is a knowledge network and a portfolio of research projects led by researchers in SINTEF Technology and Society, Department of Kunne. The research projects of Kunne focus on knowledge and learning. Recently the Department of Kunne has recently conducted a study on Research in Services for the BIA programme of the Research Council of Norway. www.kunne.no

**NUPI** (the Norwegian Institute of International Affairs) currently conducts a project for the Nordic Innovation Centre in relation to Innovation and Competitiveness of Nordic Services (ICONS). The main objective of the ICONS project is to investigate the role of innovation for the international competitiveness of Nordic services. The project will be finished in 2008. www.nupi.no

**SNF** (The Institute for Research in Economics and Business Administration is a market-based research organization). www.snf.no

## 3. How do the identified policy actors address service related innovations?

In the following section we highlight how some of the policy actors address service related innovation.

**The Ministry of Education and Research and the Ministry of Trade and Industry**
In the latest White paper on Research (Vilje til forskning, 'Commitment to Research)'the Ministry elaborates on the role of services in the Norwegian economy. The white paper emphasises the heterogeneity in private sector service firms, a heterogeneity which is reflected in the research efforts of the service sector as a whole. The white paper recognizes that in general R&D is less important for the large part of service firms than for traditional manufacturing firms, although some service firms, such as ICT based services, rely heavily on R&D. Due to the heterogeneity of the service sector it is very difficult to treat the sector as one in relation to research and innovation.

Further, the white paper highlights that although service firms to a less extent perform R&D this is not equivalent to low innovation performance. Knowledge intensive business services are emphasised to be of particular importance and held to be a driving force for productivity increase in the economy.

The white paper also underlines the differences between research-based innovation processes in the manufacturing sectors and more user (customer)-oriented innovations in public and private services. Innovation processes in services is recognised to be more strongly connected to the service user, and to the interaction between the actors in a value chain than to the development of technological solutions.

To improve the knowledge base on innovation processes in private sector services the Ministry of Trade and Industry commissioned a study on the subject. The study was finalised in 2005 and identified drivers and barriers for innovation in the service sector. The project was to constitute a basis for concrete policy measures. No specific measures have so fare been developed, but this might be included in the work with the up-coming White paper on Innovation (2008).

**The Research Council of Norway**
The user-driven innovation projects of the Research Council of Norway have traditionally been organised in a series of branch related or value chain related programmes. These programmes have contributed to focused efforts in areas where there have been particular needs or a large industrial potential. The latest White paper on Research emphasise that evaluations of user-driven research have shown that the strong focus on particular industrial branches in too narrow segments has prevented other, more profitable projects from obtaining public support. Therefore the Norwegian Government claims that the competitive arena should be widened up for a larger part of the user-driven project funding. The evaluation of projects should to a larger extent be based on their intrinsic value related to potential for value creation and quality.

In interaction with the Ministry of Trade and Industry the Research Council of Norway therefore on 01.01.2006 replaced its former sector specific programme for research in services (PULS) with a wider non branch specific Programme for User-driven Research-based Innovation' (BIA). The BIA programme does not treat services as a particular arena for research, but recognises services as one of three dimensions to be explored in research projects funded by the council. Technology and products, processes and productivity and services are all important dimensions of research in the new programme and the boundaries between the dimensions are becoming increasingly blurred.

According to the Research Council of Norway[1] the very preliminary conclusions of the BIA experience, after two calls for proposals, is that the pure service oriented projects are not competitive on the quality of research, using traditional evaluation methods. The added value of the projects is often not specifically described and in general it seems difficult to obtain good proposals which include services as in integrated part. The conclusion of the Research Council is that portfolio measures are necessary in order to maintain a pure service oriented focus within a general policy measure like BIA.

**Innovation Norway**
In general Innovation Norway offers a whole range of financing and service measures to enhance innovation activity in Norwegian firms. As the Research Council of Norway focus mainly on financing R&D activities in firms, the scope of the measures of Innovation Norway is broader. Innovation Norway focuses not only on innovation financing, but includes competence and network building as important measures to build innovation capacity in Norwegian firms. Most measures of Innovation Norway target all sectors, which mean that the programmes also include service firms. However,

[1] Power point presentation by programme coordinator Øystein Strandli on the Norwegian web site on EU Trend Chart on Innovation.

Innovation Norway has put specific focus on the tourism and travel industry and a set of sector initiatives. The sector initiatives include health services, maritime development, ICT and oil and gas, all of which are dependent on the development of innovative products, processes and of course innovative services.

## Service innovation related policy measures

### 4. Identify and describe supply-side measures that are targeting services related innovation

**The Research Council of Norway:**

**Finance related measures: Grants for industrial R&D**

**BIA** www.rcn.no/bia
The Research Council of Norway in 2006 introduced a new horizontal programme called BIA (Programme for User-driven Research-based Innovation). The new programme replaced a set of sector specific programmes, including the PULS programme which was specifically directed towards R&D in service firms. BIA is one of the new large programmes of the Research Council of Norway, programmes which differ from other kinds of financing in that they connect basic research, applied research and innovation, as well as transcending branch and sector boundaries.

The former PULS programme focused on R&D in the four thematic areas of logistics and transport services; new types of retail, commerce and new business models; knowledge based services and flexible working modes as well as ICT-based services such as internet and mobile services. The annual budget of the programme was EUR 6-7 mill in public funding (the Research Council of Norway) and EUR 10-12 mill in industrial funding. Each year approximately 140 different firms participated in the PULS programme.

The new BIA programme is open to research based innovation projects independent of branch and specific theme. The programme is to be open to research projects directed towards various types of innovation challenges such as i) new and greatly improved products, where development or innovative use of new technology is central in the projects, ii) new or greatly improved service products and services supporting various stages in the value creation process (e.g. logistics) and iii) new or greatly improved processes, where productivity and quality improvement is central. This might include innovative production methods, organisational forms, business models and forms of delivery. Innovation processes in firms are rarely isolated, but appear in cooperation between different processes. Therefore research projects of BIA may include several of the innovation types above and include more than one specific theme.

According to the programme plan of BIA there is an ambition to increase the volume of public investments in the programme significantly within the next three years (2006-

2009). The available funding of the BIA programme for 2006 seems to be NOK 250 million.

**VERDIKT** www.rcn.no/verdikt
Like BIA, VERDIKT is a large horizontal programme also introduced in 2006. The programme is a central measure to realise ICT as a national priority area. The objectives of the VERDIKT programme are manifold:

- to produce and use technology and knowledge for innovation and ICT based interaction
- to strengthen basic and interdisciplinary competence development within ICT in areas of particular importance for future business and social development
- to contribute to innovation and increased value creation in the Norwegian ICT industry, as well as in industrial and social life in general
- to contribute to strengthen the Norwegian research environments' contact with leading international research environments and ensure that Norwegian research holds internationally top quality in the specific focus areas of the programme
- to facilitate closer cooperation between research environments and the ICT industry as well as increase the exchange of experience between research environments and industry and social life in general

The specific focus areas (themes, topics) of the VERDIKT programme will be in force for 3-5 years in time and will be the basis for the calls for proposal of the programme. The present focus areas include:

- **Seamless infrastructures** – open infrastructures to all types of media and equipment as available resources for interaction
- **Multi modal systems and rich media** – information communication and interactive possibilities adjusted different needs
- **Digital environment** - information exchange with objects and physical surroundings using new forms of interaction
- **Communicating organisations** – services and information for ICT based interaction in and between organisations and processes, and for the citizens in their roles as member of society and as customers

According to the programme plan of VERDIKT the proposed budget of the programme is:

| NOK (Million) | 2006 | 2007 | 2008 | 2009 | 2010 | 2011-2014 |
|---|---|---|---|---|---|---|
| | 50 | 150 | 225 | 300 | 400 | 500 |

The budget is in line with the ambitions of the latest White paper on Research and the plans of the Research Council of Norway for its large programmes.

In addition the Research council of Norway have some service related branch specific programmes such as SMARTRANS-intelligent freight transport starting 2007, MAROFF- Martime activities and offshore operations etc. There is also a new non-thematic programme for regional innovation (VRI) being launched. The programme will include different funding schemes.

**Innovation Norway:**

**Finance related measure: Grants for branch related industrial R&D**

**BIT**
The BIT programme is a national and international market driven business development programme administered by Innovation Norway. The programme is based on ICT driven business processes, common sector technology platforms and business platforms founded on open international standards. Business development takes place though cooperation in industrial branches and sectors. The results of the projects make up the internationalisation platform for firms in the participating business sectors.

The objective of the programme is to contribute to increased competitiveness and innovation capacity in SMEs by improving their electronic business management. The programme is to contribute to the development, diffusion and efficient utilisation of ICT solutions within ebusiness in industrial sectors. This is to be achieved through cooperative arrangements within and between sectors. The participating sectors receive public support in the form of methodology, quality assurance and co-funding.

The programme is characterised by its
1) user-orientation
2) focus on process innovation
3) focus on network cooperation in sectors
4) collective research and
5) competence development

Five product areas are developed in relation to the programme:
1) BIT branch
2) BIT value chain
3) BIT international
4) BIT tools and
5) BIT competence

The BIT programme was initiated in 1997 and is a running programme. The overall budget in the period 1997-2005 was approximately EUR 36 million. In 2005 the budget of the programme was NOK 26.9 million.

According to Trend chart on Innovation the BIT programme has been given favourable assessment. Based on the work on a report on ICT diffusion (by Head of Information

Economic Unit in the OECD, Graham Vickery) the programme was highlighted as being successful in addressing the challenges facing Norwegian businesses with regards to making use of ICT and developing ebusiness solutions. It was emphasised that the companies participating in the programme have shown good business performance, and identifies the following success factors: 1) the focus of the programme is to develop common sector specific ebusiness platforms, 2) the fact that the initiatives are business and sector directed (user led), but with strategic government support in the start-up phase and 3) the involvement of different industry associations. Source: Innovation Norway press release 06.12.04 on the web pages of Innovation Norway.

**Finance related measure: Support for training**

**Programme for international marketing in the tourism and travel industry**
Due to more foreign tourists coming to Norway, increased sales as well as improved profitability in each tourism related firm there is a need for increased competences in marketing and sales directed at international markets.

The training programme for innovation in tourism and travel is to give the participating firms a solid platform in their efforts to obtain foreign customers. The programme focuses on framework conditions, strategic challenges, planning, choice of markets and measures as well as profitable management of the operative marketing work. After ending the programme the participants will have an improved capability to make sound judgements and choices in the market. Eventually this will give improved results for the firms in their daily work.

The programme consists of three intensive workshops which include theoretical lectures, group assignments and discussions, but also practical and operative assignments. At all times the workshop leader will be available to advise the participants. The programme is concluded with an optional exam.

The programme for international marketing in tourism and travel business is part of a larger running programme of Innovation Norway called the Norwegian Export School (see below).

**The Design programme**
In cooperation with the Norwegian Design Council Innovation Norway seeks to influence more Norwegian firms to make use of professional designers. In the cooperation between firms and designers Innovation Norway and the Design Council contribute with consultancy services adjusted each individual firm. They also procure quality assured designers based on the design needs of the firms in the areas of industrial design/product design, interaction design and communication design (packing and visual identity).

Innovation Norway finances the projects independent of geography, and offers a network of professional competence through the designer database of the Design Council. According to the Government Initiative ‘Design and Value Creation 2006-2009’ the maritime industry, tourist and travelling as well as the wood industry are to be

particularly prioritised. In 2006 the budget of the Design Programme of Innovation Norway was NOK 6 million.

**The Ice Breaking Measure**
The Ice Breaking Measure is a funding scheme for SMEs using design services for the first time. The measure is mainly to be used in central areas of Norway. The goal of the measure is to contribute to increased use of design as a competitive force in Norwegian business life, recognizing that the linkages between firms and designers in Norway are weak.

The grant may be used for industrial or product design, packaging design or development of visual profile or identity. The project must be founded in the strategy of the firm, and the firm must show capability of carrying out the project in terms of human and economic resources. The financial grant of the Ice Breaking Measure is to cover 50 percent of the expenses of purchasing external design services until a limit of NOK 50 000.

The Ice Breaking Measure is a co-financed measure between Innovation Norway and The Design Council of Norway however from 2007 Innovation Norway will finance the measure alone. The Ice Breaking Measure is part of the Design Programme. Until 2006 the total budget of the measure was NOK 1 million, in 2006 it was NOK 1.5 million and in 2007 the budget will be NOK 3 million. The measure is in 2007 supposed to be more focused on strategic users of design services, not first time users only, and this explains the increased budget of the Ice Breaking Measure.

**Measure promoting KIBS as catalyst of innovation:**

**iVEL – Innovation though Growth, Change and Learning**
The main objective of the iVEL initiative is to increase the innovation competence and innovation speed of Norwegian firms as well as to increase the innovation competence of consultants and knowledge environments offering services to these firms. iVEL was a pilot measure being tested in various regions of Norway in 2004 and 2005.
One of the aims of iVEL is to increase the interest of firms in innovation, to emphasise what innovation might do to the firms, to carry out firm specific projects and at the same time to train employees of firms in up-to-date knowledge on innovation.

The iVEL measure consists of three phases:
1) Introduction to innovation – 'The Innovation Café'
The intention of this phase is to give the firms an 'appetizer' to the concept of innovation. By using firm examples Innovation Norway seeks to demonstrate that innovation is fun, important and profitable.

2) Basic innovation competence
The intention of this workshop is to supply the firms with somewhat 'deeper' knowledge of the various sides of the innovation concept. This second phase focuses on visions and strategies of the firm, the innovation goals of management and the board of the firm,

creativity and generation of ideas, cooperation processes as well as customers and suppliers in the innovation process. After this phase the participating firms makes a self assessment of the innovation climate of their own firm.

3) Innovation in practise
This last phase is offered to 10 firms. The chosen firms must have plans for carrying out an innovation project (in a wide sense). This last phase of the iVEL measure is carried out over a period of 6-12 months. At workshops the firms work in groups, and in between workshops the firms receive individual counselling.

In order to carry out the iVEL measure a competitive bidding between regional consultancies and competence environments is arranged. There is an objective of the iVEL measure to encourage service providers to develop and improve their competences to become stronger providers of innovation competences for businesses in their regions. Often three service providers are picked out to provide input into the first phase of the iVEL process, in the second phase only two providers participate and in the last phase one provider is left counselling the practical innovation projects of the participating firms.

iVEL is no longer a specific programme in Innovation Norway. The learning experiences, knowledge and tools developed in the pilot project phase of iVEL have however become very important ingredients in all other programmes and competence services offered by Innovation Norway to its customers. In 2006 NOK 10 million was used to communicate the valuable lessons learned in the iVEL pilot programme.

## 5. Identify and describe demand-side measures that are targeting services related innovation

There are no particular systemic policies, regulation or procurement measures which seek to increase service sector innovation in Norway.

## 6. Identify and describe measures promoting services internationalisation

**Innovation Norway:**

**Norwegian Export School - basic course for service firms**
One measure of Innovation Norway is the Norwegian Export School. Innovation Norway offers courses in practical export work, international marketing and internationalisation. The Export School cooperates closely with Norwegian firms, branch organisations,

county council districts and other parts of the public support system. A basic course of the Export School is directed specifically towards service firms.

A considerable share of the value creation and employment in Norway occurs in the services sector; however there is room for increased sales of services abroad. The basic course in international trade of services is particularly directed towards export of services to the EU, but the knowledge appropriated in the course is transferable to other markets. To be able to increase the sales of Norwegian services it is important to increase the competence of service firms related to market possibilities and framework conditions for such trade.

The Export School is a running measure of Innovation Norway. The participating firms pay a participant fee to take part in the course, and this mostly covers the expenses of holding the course. Innovation Norway contributes with in-depth knowledge and competences in the area.

## 7. Identify and describe measures seeking to create favorable framework conditions for service related innovation

In general a particularly flexible labour market is a framework condition creating favourable conditions for service related innovation in Norway. There is a high degree of mobility in the labour market and workers and new ideas move freely between firms. Since service firms make up a large majority of Norwegian firms this flexibility must be said to influence the conditions for service related innovation in a very positive way.

### 7.1 To what extent horizontal policies are supporting service related innovation?

Most measures and programmes in Norway are horizontally oriented (open) to include firms of all industrial sectors. However, R&D programmes of the Research Council of Norway may be seen to be particularly biased towards manufacturing firms in terms of focusing mainly on traditional R&D and not specifically including other knowledge sources to innovation and value creation. The measures of the council are explicitly horizontal, but the traditional focus on technological R&D implicitly excludes service firms from the measures (like for instance in the new BIA programme). Many service firms generally do not relate to the traditional conception of R&D and emphasise that other forms of knowledge systematisation and production than traditional R&D are important for their innovation and value creation (e.g. through customer or market analyses. Of the measures of the Research Council of Norway the fiscal measure of SkatteFUNN (www.skattefunn.no) seems to be the most popular measure amongst service firms, although there is no particular service focus of the measure.

SkatteFUNN is a tax deduction scheme to boost R&D activity in Norwegian industry Under the SkatteFUNN scheme all enterprises subject to taxation in Norway are eligible

for a tax deduction for R&D expenses in approved projects. In order to qualify under the scheme, a project must be limited and focused, and must be aimed at generating new knowledge, information or experience which is presumed to be of use for the enterprise in developing new or improved products, services or manufacturing/processing methods.

For enterprises with more than 250 employees, eighteen per cent of the expenses related to an approved R&D project may be deducted in taxes owed. For smaller enterprises, twenty per cent deduction is possible. The basis for deduction is R&D expenses of up to NOK 4 million for firm internal projects and another NOK 4 million for cooperation projects (or NOK 8 million for cooperation projects alone). The projects must be approved by the Research Council of Norway before start-up in order to obtain financing. The R&D projects should aim at generating new knowledge, information or experience which is of value to the development of new products, services or production processes.

## 8. Future policy measures – are there some new policy measures being developed for services and related innovation?

To our best knowledge there are no specific plans for new policy measures for services and related innovation.

## 9. Other relevant issues and comments related to the emerging service innovation policy