



PRO INNO EUROPE

**INNO
LEARNING PLATFORM**

Society-driven innovation Promotion of innovation for citizens

Team 1: To establish a trans-national "think-tank" on future innovation policy strategies addressing the challenges of a "service oriented" society

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31 October 2007

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Executive summary

In European countries the service industries contribute to remarkable extent to the economy, yet they receive just small percentages of research and development investment. In the most advanced service economies, services create up to three-quarters of the wealth and 85% of employment. According to Eurostat, “Services are the only sector of the European economy that has generated jobs in the last two decades”¹.

One important factor behind industrial dynamics in Europe is the fact that industries and sectors are merging so that sector borders between industries are becoming fuzzier. Thus, also traditional borderlines between manufacturing and service is getting blur. Services should be seen as intrinsic element in sustaining and enhancing the competitiveness of manufacturing industry. Equally, manufacturing firms are important consumers of business services and, more specifically, Knowledge Intensive Business Services (KIBS) and the performance of these sectors is important to manufacturing. EU polices have started to acknowledge these trends and indeed a number of member states now recognise this and admit that science based innovation model is just one form of innovation².

The period since 2000 in particular has seen a significant evolution in innovation policies across the European Union, reinforced by the targets set by the Lisbon Agenda. Until now innovation policies in European MS are still deeply rooted in science and technology, but there are attempts to change this science based innovation model that focus mainly on high-tech in manufacturing, product and process development. These efforts have been highlighted by the European Commission since the Green Book on Innovation published in 1995 and have in particular been reflected in the Commission’s “Communication on Business Related Services”³ and “More Research and Innovation – Investing for Growth and Employment: A Common Approach”⁴, and supported by the Council’s conclusions on “A broad-based innovation strategy: strategic priorities for innovation action at EU level” of 4 December 2006.⁵

It is clear that further evolution of European innovation policies is needed to accommodate all these changes in industrial dynamics. First, there is a lot of untapped potential when it comes to service/intangible innovations in traditional industries. On the other hand, there is a more or less unused potential when it come to innovation in the service sector. The critical challenge is to understand that service sector is as heterogeneous as the manufacturing sector. European innovation policy strategies must:

- take into account the strong needs to strengthen the companies and public agencies’ capabilities for service innovation;
- enable various knowledge providers to become more active partners for the dynamic service innovation companies;
- assist public authorities and development agencies to develop a more proactive and well coordinated commitment to support service innovation processes, and
- build up a knowledge base to support policy learning in service innovation development.

Hence, it is strategically important to set policy focus on issues that can secure European service enterprises success in today’s global markets. Such strategic focus areas include the legal and regulatory frameworks for service innovation, Intellectual Property Rights, R&D policies and links with the Research and Science and access to new technology, Entrepreneurship and Finance and Public Procurement.

¹ Eurostat (1999) Services in Europe, Data 1995-1997, Eurostat, Commission of the European Communities, Luxembourg.

² See, for example, “Innovation with Services” concept projects recently introduced by the German government which seek to stimulate new business models at the interface between production and services; *Federal Ministry of Economics and Technology (2006) Annual Report*, 2006 P3, Federal Ministry of Economics and Technology, Berlin, 45

³ COM (2003) 747 The competitiveness of business-related services and their contribution to the performance of European enterprises

⁴ COM (2005) 488 final, of 12.10.2005

⁵ Council of the European Union (2006), 2769th Competitiveness (Internal Market, Industry and Research) Council Meeting Brussels, 4 December 2006, Conclusions point 8.

Innovation policy is a shared responsibility in Europe. No single layer of policy-makers can make things happen, whether at the EU, national or regional levels. We need to mobilise all stakeholders in Europe.

Coordinated action at European level, leading to a faster evolution of innovation policies, systems and strategies so that they can better adapt and serve the present and future change actors, is therefore needed and urgent. The studies already conducted in the field⁶ show that, at European policy level, it is in particular necessary to:

- 1) To exchange ideas, information and best practices between Member States and regions and therefore accelerate the learning process in the field;
- 2) to create common awareness and understanding in the area of service innovation;
- 3) to start a mind-set change that is required in order to recognise services as a powerful economic force in the contemporary and future European Union.

The stakeholders involved in Innovation Policies– i.e. the ministries responsible for innovation policies in the different Member States and the European Commission – should promote an action at this level. The action should be in line with objectives of the PRO-INNO Programme, and implemented through an INNO-NET scheme with the duration of up to 36 months, with financial support from the European Commission. Business development & innovation agencies, with a clear mandate from their ministries, should be responsible for implementation.

The action proposed, consists in the establishment a trans-national Think-Tank that will be engaged into strategic level discussion and agenda development for service innovation policy. Such a think-tank would function as a catalyst and driving force for the mind-set change and service innovation policy development and help to develop common awareness and understanding of services related innovation.

As its main outcome, this action shall:

- contribute through studies and reports to a better understanding of innovation in services, namely in its different components in terms of process, offering, delivering and finance, and identifying specificities, barriers to innovation, particular needs and opportunities of service companies and policy challenges to address the identified issues;
- assess the need for a “widening” and “deepening” of innovation policies at EU Level, so that they become more applicable and accessible to services;
- deliver a roadmap for Innovation Policy for services implementation;

⁶ Tekes 2007: Innovation Policy Project in Services: IPPS 2006-2007,

1. Definition of the proposed action

1.1 Legitimization/rationale

The present understanding of innovation is still primarily an understanding of product innovation. With the manufacturing sector as a point of departure one has drawn the conclusion that service firms are generally weaker innovators than manufacturing ones, because their innovation is “less visible”. We should ask whether this approach to the phenomenon of innovation leads to the limits of understanding of the change processes and emerging strategic opportunities on service markets.

However, increasingly the attention is drawn to the consequences of a weak basis of knowledge and understanding of service innovation and service innovation processes, and towards a greater need of developing initiatives and instruments that also encompass characteristics of service functions, along with those of more “traditional” sectors.

Several challenges are faced for the development of a European strategy in support of innovation in services, many of which are at top of the European innovation agency and have been addressed in a recent working document⁷. In the table below concrete problems and opportunities of the proposed action are explained.

Table 1 - Problems	
Problem Name	Description
Problem 1: Lack of sufficient political attention to service innovations	In most innovation policies in Europe, the present understanding of innovation is still primarily an understanding of product innovation. There is a clear tendency in all countries to focus on high-tech in manufacturing, product and process development.
Problem 2: Too “narrow” innovation policies	Current innovation policies and schemes in Europe are biased towards manufacturing industries. Innovation policies need to be “widened” and new innovation schemes and measures developed with services as a target, including both technological and non-technological innovation, promotion of IPR usage and funding issues.
Problem 3: Too “superficial” existing policies	Even the broader current policies are biased towards traditional “manufacturing” requirements and needs, making them hard to access by service industries. Current policies need to be “deepened” to take in account the specificities of service innovations.
Problem 4: Poor access to knowledge basis	Service firms are poorly linked with the science and research basis in EU and even in their regions. It is necessary to develop policies to make the science and knowledge basis more responsive to innovation needs of service firms and service firms more aware and eager to use the science and knowledge basis.
Problem 5: Monitoring tools of European innovation policy results	There are many monitoring tools for European innovation policy (Trend Chart, Innovation Scoreboard, etc), but they give only limited information concerning service innovations. There is a lack of adequate data, indicators and methods to analyse services and service innovation, which has a negative impact in policy formulation.

Summing up, services are still largely neglected by innovation policies, and it is necessary to address the issue of policy relevance and accessibility at both EU and national level. Opportunities for action do exist and are listed in the following table:

Table 2 - Opportunities	
Opportunity Name	Description
Market and business growth in services.	International trade in services has expanded in a number of business fields and there is a lot of potential for further growth, in particular in Europe. Around the year 2000 over 1/3 of business expenditure in the US were spent on services, whereas in Europe percentage was 12%. There is

⁷ COMMISSION STAFF WORKING DOCUMENT – “Towards a European strategy in support of innovation in services: Challenges and key issues for future actions”, Brussels, 27.07.2007, SEC(2007) 1059.

	margin for growth, if the correct policies are taken.
European Service Directive.	The Services Directive, which was adopted by the European Parliament and the Council in December 2006, and must be implemented by the Member States by the end of 2009, will improve the functioning of the internal market for services and create the conditions for a more innovative European services sector, that needs to be supported by adequate innovation policies.
More tailored service innovation and R&D policies for service innovations	Up to now, service sector has been developing and innovating with support of policies which have not been adapted to their particular needs. New innovation schemes specifically targeted to service innovation need should be developed ("widening" the innovation policies) and existing innovation policies must be revised to take into account the specificities of services ("deepening" the existing innovation policies"). With innovation policies more aligned to the needs and requirement of service innovation in both service and manufacturing firms, the potential for growth is much higher. Particular attention must be paid also to the needs of high-growth companies ("Gazelles").
Stronger links with Research and science organisations	Europe has a strong science and research base that until now has been largely unused by service firms, in spite of the constant growth in R&D intensity in services. Policies that enable the research and science basis to become more responsive to the service innovation needs and encourage service firms to develop more links with science and knowledge basis can unveil the potential in the cooperation.
Better monitoring tools for service innovation policy in Europe	Current innovation surveys, including the Community Innovation Surveys, only capture certain aspects of innovative activity in services. With better service innovation monitoring tools there will be better opportunities to make efficient and more problem oriented service policy solutions in the European MS.

The time is right for addressing European innovation policies to support service innovation. The problems and opportunities above listed are clearly of a trans-national nature and require trans-national cooperation to be effectively addressed.

1.2 Objectives

To date, innovation policy measures in most EU countries have not been attuned to the service sector. Only a few countries have integrated services-related elements into their innovation policies, and participation of service-sector firms in sector-neutral programmes remains low. The few policies targeting service innovation aim primarily at ICT development and use.

Clearly, greater effort is needed to raise awareness of innovation policies and programmes among service-sector firms, as well as to design or adapt support programmes to be more relevant and useful to the service sector. This would also imply the need to commit institutions and various stakeholders to implement such policies. All these issues are trans-national and require major changes in the innovation systems of member states. The action to be implemented should in particular aim at:

- The exchange of ideas, information and good practices between Member States and regions and therefore accelerate the learning process in the identified field;
- The creation of common awareness and understanding in the area of service innovation
- And, finally, to start a mind-set change that is required in order to recognise services as a powerful economic force in the contemporary and future European Union, and prepares the public sector for the adoption of a new and improved policy toolboxes and measures in the field.

In the table below policy aims and beneficiary are resumed.

Table 3 – Policy Aims and Beneficiaries

Policy Aim	Beneficiary
The exchange of ideas, information and best practices between Member States and regions and therefore accelerate the learning process in the identified field	All European MS and governments, policy makers, decision-makers, in particular innovation agencies; on a second level service companies in Europe.
The creation of common awareness and understanding in the area of service innovation	All European MS and governments, policy makers, decision-makers, in particular innovation agencies,
A mind-set change that is required in order to recognise services as a powerful economic force in the contemporary and future European Union, and prepares the public sector for the adoption of a new and improved policy toolboxes and measures in the field.	All European MS and governments, service companies in Europe, workers in service companies, KIBS companies.

In order to achieve the above listed objectives, it is proposed to establish a trans-national Think-Tank that will be engaged into strategic level discussion and agenda development for service innovation policy. Such a think-tank would function as a catalyst and driving force for the mind-set change and service innovation policy development and help to develop common awareness and understanding of services related innovation. It could include representatives from Ministries, innovation agencies, industry, trade organisations, Commission and other experts, and should produce his results in a 36 months period.

Think-Tank can help the European Commission, MS ministries and European innovation and development agencies based on high-level experience and competences form different programs and actions, to quickly help fast growing service firms. It can also give and deliver smart insights to SMEs in larger scale of Europe. The second critical future mission of think tank is that it can help both the European commission, ministries and the agencies in formulating a new and broader innovation policy by giving advice concerning content.

The specific objectives for the Think-Tank are listed below:

- To set-up a dialogue platform for the exchange of ideas, information and best practices between Member States and regions, including the organisation of an annual forum on “Innovation in Services”
- Establish and further promote and disseminate a European repository of knowledge and good practices on innovations in services, contributing to the creation of a common awareness and understanding in the area;
- Produce a set of reports on the needs and requirements of service innovation in both service and manufacturing firms and actively promoting it and disseminate towards policy makers, thus preparing the public sector for the adoption of a new and improved policy;
- Develop a road-map for the “widening” and “deepening” of innovation polices for service innovation;
- Create a common communication platform, including communication and marketing tools supporting the specific activities.

1.3 Description of the proposed initiative.

The proposed initiative will consist of a European Think-Tank that will be engaged in strategic level discussion and agenda development for service innovation policy. The goal is to have a think tank that is involved in policy formulation and that actively with the different levels of government to promote the implementation of the policies.

One of the main functions of the proposed think tank is to conduct policy analyses which offer creative, insightful and even counterintuitive solutions for the identified problems in the service innovation field. The Think-Tank should also develop specific strategies of contingent policy communication to guide the preparation of policy documents and oral briefings.

The most relevant actions to be promoted are described below:

1) Set-up of the think-tank:

- Committed innovation agencies, acting with a clear mandate from their ministries, and other institutions responsible for innovation policies, should form the consortium responsible of the action implementation, and will decide on think-tank composition and on the detailed workplan that should be followed;
- A Think Tank of 20-25 members should be established; members can be experts from innovation agencies, ministries, international organizations (e.g. OECD) academics in the field of innovation economics, SME and companies representatives, etc.; They should act as individuals, in full independence from the organizations they may represent; they should work on a continuous basis, with monthly meetings and using the necessary IT tools;
- Secretariat services should be provided for Think-Tank for the whole duration of the process and resources for studies, analysis and review exercises from experts (as input to Think-Tank activities) should be considered. The secretariat will provide the means for the think-tank to implement the actions needed to achieve its objectives, including provision of communication and marketing tools.

2) Set-up of a dialogue platform

- An annual forum on "Innovation in Services" will be organised under the auspices of the Think-Tank and relying on the Secretariat services; this forum will be the main element of a platform for the exchange of ideas, information and best practices between Member States and regions; Outputs and procedures from each forum will be added to the Repository described below;

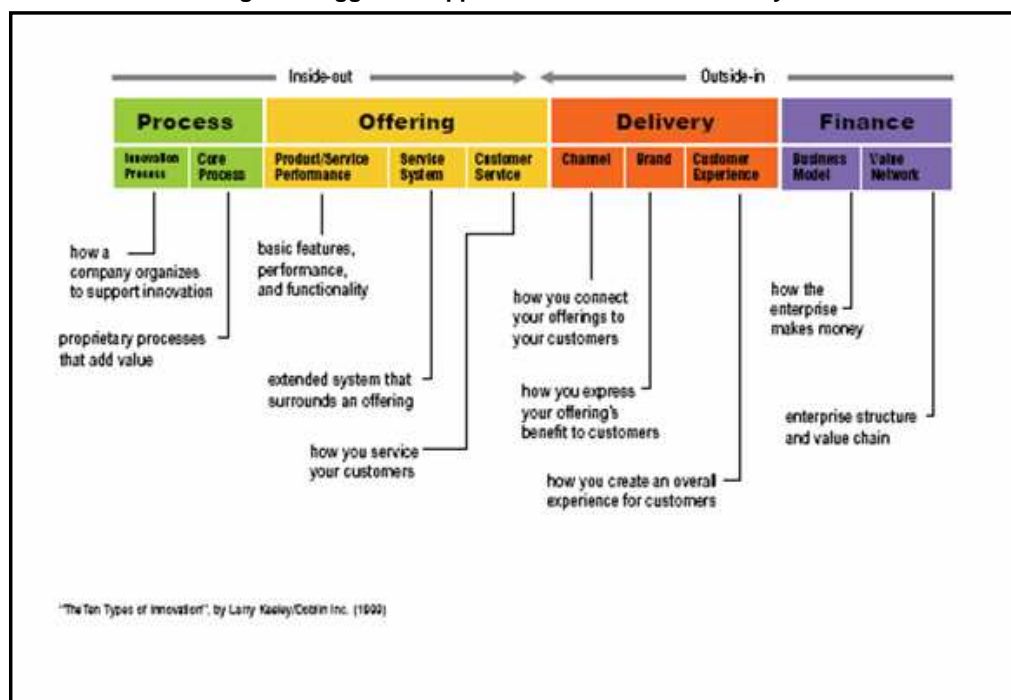
3) European repository of knowledge and good practices on innovations in services

- Think-Tank members, using additional experts as deemed necessary, and in close cooperation with MS innovation agencies, should map the existent knowledge and good practices on the service innovation field, and develop an active dissemination strategy to promote the collected information in order to contributing to the creation of a common awareness and understanding in the area;

4) Produce a set of reports on the needs and requirements of service innovation in both service and manufacturing firms.

- The Think-Tank should launch Task Forces that should study and produce reports on the needs and requirements of service innovation as regards its different components. The suggested approach, to be validated within the project, will study service innovation in terms of Process, Offering, Delivery and Finance, as pictured in the figure below:

Fig. 1 – Suggested Approach for Task Forces Analysis



- Such reports should be added to the Repository described above, but should in particular be subject to a throughout analysis by the Think-Tank members regarding how can the identified needs and requirements be considering by new or improved innovation polices, that should either specifically target service innovation (“widening” innovation polices) or better take into account their specificities (“deepening” innovation polices), including in such relevant areas as increased use of the science and research base, IPR mechanisms and funding sources by service firms.
- 5) Develop a road-map for the “widening” and “deepening” of innovation polices for service innovation
- As a result of the analysis work above described, the Think-Tank should develop a Road-map for better policies for Service Innovation in Europe. The road-map should include concrete proposals for new (“widening”) and improved (“deepening”) innovation policies, but also recommendations on indicators for measuring its impact and success and follow-up measures.

1.4 Expected outcome

The following outcomes are expected from the proposed action:

- 1) Share, collect and disseminate under a repository format, knowledge, information and best practices in the field of service innovation, both within the Member States and also beyond Europe, having in view to accelerate the learning process in the identified field, create a common awareness and understanding and provoke a mind-set change that is required in order to prepare the public sector for the adoption of a new and improved innovation policies that take into account the importance of services as a powerful economic force in the contemporary and future European Union.
- 2) Propose concrete policy measures to better support Innovation in Services in the EU and help reform-minded policymakers implement their programs more effectively.

The expected outcomes are presented in the following table:

Table 4 – Expected Outcomes

Expected outcome	Short description	Estimated success rate*	Explanation/ main deliverable
Dialogue platform for the exchange of ideas, information and best practices, accelerating the learning process in the identified field	An annual forum on “Innovation in Services” will be organised under the auspices of the Think-Tank and relying on the Secretariat services; this forum will be the main element of a platform for the exchange of ideas, information and best practices between Member States and regions; Outputs and procedures from each forum will be added to the Repository described below.	High	Annual European Conference on “Innovation in Services” (3 conferences over the planned 36 months period)
European repository of knowledge and good practices on innovations in service	Think-Tank members, using additional experts as deemed necessary, and in close cooperation with MS innovation agencies, should map the existent knowledge and good practices on the service innovation field, and develop an active dissemination strategy to promote the collected information in order to contributing to the creation of a common awareness and understanding in the area.	High	European Repository (publicly available database on the project web-site)
Reports on the needs and requirements of service innovation in both service and manufacturing firms	The Think-Tank should launch Task Forces will should study and produce reports on the needs and requirements of service innovation as regards its different components in terms of Process, Offering, Delivery and Finance. Such reports should be added to the Repository described above, but should in particular be subject to a throughout analysis by the Think-Tank members regarding how can the identified needs and requirements be considering by new or improved innovation polices, that should either specifically target service innovation (“widening” innovation polices) or better take into account their specificities (“deepening” innovation polices), including in such relevant areas as increased use of the science and research base, IPR mechanisms and funding sources by service firms	Average	A set of 4 reports on the needs of requirements of service innovation in terms of : - Process - Offering - Delivery and Finance of service innovations, produced by Task Forces.
Road-map for the “widening” and “deepening” of innovation polices for service innovation	The Think-Tank should develop a Road-map for better policies for Service Innovation in Europe. The road-map should include concrete proposals for new (“widening”) and improved (“deepening”) innovation	High	Road-Map Report

	<p>policies, but also recommendations on indicators for measuring its impact and success and follow-up measures.</p> <p>The Road-Map should help committed and reform-minded policymakers – and in particular the stakeholders of the action – to implement their programs more effectively.</p>		
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* Please provide category: high, average, low

1.5 Preconditions

There are many good reasons in Europe to develop cross-border and trans-border co-operation in service innovation field. There are the following benefits of European co-operation:

- i. To reap the benefits of a common frame of reference and proximity of the countries in this region,
- ii. To make use of the potential benefits coming from differences in countries (innovation, dynamism),
- iii. To respond to the need for structured cooperation on policy learning (many forms for cooperation and activities, but lack of structured and interactive learning),
- iv. To learn ways to improve one’s own national innovation policies, to identify good practices and increase the possibility to use them and to transfer knowledge and experiences,
- v. To provide a forum for more intense and focused discussion and learning, and
- vi. To strengthen complementarities with European cooperation.

The proposed action would be developed at European level, in the form of a European Think-Tank, which will address problems faced by Innovation in Services in Europe as a whole while facilitating the exchange of ideas, information and best practices between Member States and regions and mapping the existent knowledge and good practices on the service innovation field in the different countries.

The results of the Think-Tank work will then be compiled on a Road-Map for better Innovation in Services policies, with trans-national application for better national and regional policies. The main success factors in this regard will be the commitment from the relevant stakeholders – i.e. innovation agencies and other policymakers from MS – to participate in the dialogue, exchange of ideas and mapping of good practices exercise and in particular to implement the recommendations into their own national and regional polices so as to implement their programs more effectively and with better and more measurable results.

Finally, a good selection of Think-Tank members, and smooth and effective secretariat services. are also crucial success factors.

The main success factors are presented in the Table below:

Table 5 – Success Factors

Factor for success	Short description why
Committed stakeholders, i.e. European Commission, ministries Innovation Agencies and other policymakers from EU Member States.	The problem of lack of support to innovation in services is clearly a problem with a trans-national nature within Europe. Although the growing importance of services for economic growth and the significant role of innovation in vitalising the service sector have been widely recognised in Europe, policy measures for promoting service-sector innovation are lacking in all the MS . Many countries do not have innovation policies that target services, and participation of service-sector firms in sector-neutral programmes is low across all countries.

	<p>Stakeholders of the action must be committed to address the problem and to implement recommendations. In particular they must:</p> <ul style="list-style-type: none"> - provide a clear mandate to the think-tank for producing a road-map for better Innovation in Services policies; - participate actively in the dialogue, and mapping of good practices and problems; - clearly express a commitment in the implementation of the final recommendations; - take a long-term attitude towards Innovation in Services, including measuring of the impact of the proposed policies – possibly by the use of new sets of indicators – and continuous follow up of its results. <p>Only with this level of commitment and participation will it be possible to enhance the innovation in service at both national and European level.</p>
Good selection of Think-Tank Members	<p>Enhancing innovation in the service sector will require attention to a number of policy areas, and changes in policy regimes in most EU countries. The Think-Tank composition must reflect the number of policy areas to be addressed and include individualities with the knowledge and the authority to produce recommendations to policymakers in most EU countries.</p>
Smooth and effective Secretariat Members	<p>The proposed initiative is ambitious and will imply the organisation of several actions (conferences, repository of information, management of task forces), often in parallel that require a large spectrum of technical and organisational skills.</p> <p>In order to ensure the smooth and efficient running of the project an experience and skilled organisation must be selected for managing the secretariat, and in particular the provision of communication and marketing tools.</p>

1.6 Risks

It is clear that despite the dominance of services in economic activity in Europe and other advanced economies, very little attention has been paid to innovation in services or to its policy implications in Europe. Innovation in services has been largely ignored, and the main questions are why. Already by the early twentieth century, service activity was such a size and significance economically in parts of Europe and North America that it made up something like a quarter to a third of GDP in countries in these two continents.

In this sense, the proposed action does not for sure come too soon nor does it risk facing unprepared or unaware policymakers. For the same reasons, fierce opposition to the action is not to be expected, even from the most conservative policy making sectors. It is also not too late for the action, in spite of growing and global competition for Europe in service innovations with Key European competitors (China, India, U.S., Brazil etc.) presenting determined service innovation strategies and policies as well as good results, to which Europe must provide a quick answer. The action is timely and relevant.

Duplication of efforts could be a risk, as some Member States are more advanced than others and some – in particular Germany and Finland - have already started initiatives or programmes to better serve service firms or to foster links between such services and the science and knowledge base⁸. The proposed action should

⁸ See Finnish 'Serve' Programme; for details see Toivonen, M. (2006) 'The future of KIBS: The Finnish perspective'

build on such efforts, instead of duplicating them, and for this the stages of the Set-up of a Dialogue for the exchange of ideas, information and best practices between Member States and regions and mapping existent knowledge and good practices on the service innovation field for a European repository, will be of particular importance.

Finally, the greatest risk is the absence of real commitment from Innovation Agencies and other policy makers to implement the proposed recommendations that will be the main output of the action, or, in spite of their commitment, the difficulty to adapt their procedures and mechanisms to the new paradigm and mind-set that is required. This risk can only be avoided with a strong participation of such stakeholders throughout the entire action, giving them the means and the time to foresee and anticipate the internal changes that will be needed in order to enable the implementation of the better programmes for innovation in services.

The table below lists the main risks that can be anticipated at this stage.

Table 6 – Risk factors

Risk	Description
Duplication of efforts between European action and some Member States	<p>As some (few) Member States have already started initiatives or programmes to better serve service firms or to foster links between such services and the science and knowledge base, there could be a risk of duplication of efforts with the proposed action at trans-national level.</p> <p>To avoid this risk the proposed action should build on such efforts, instead of duplicating them, in particular during the stages of the Set-up of a Dialogue for the exchange of ideas, information and best practices between Member States and regions and Mapping existent knowledge and good practices on the service innovation field for a European repository.</p>
Lack of commitment at political level in the Member States	<p>The proposed action can only be successful if Ministries responsible for innovation policies in their Member States are fully committed into it and are 100% behind the Innovation Agencies, responsible for implementation.</p> <p>Support from policymakers will be fundamental both throughout the action, to give it political weight, but in particular after it, for putting into practice at political level the recommendations that will stem from it.</p>
Lack of commitment from Innovation Agencies to implement the final recommendations, or mismatch between their internal procedures and mechanisms and the required new or improved measures.	<p>Even if Innovation Agencies' managers will be committed towards the shift in mind-set and in measures that will be needed to better serve Service innovation, their internal procedures or mechanisms may not be adapted for the changes.</p> <p>This risk can only be avoided with a strong participation of such stakeholders throughout the entire action, giving them the means and the time to foresee and anticipate the internal changes that will be needed in order to enable the implementation of the better programmes for innovation in services.</p>

Paper presented to EMCC Anticipation Workshop ‘The Future of Knowledge Intensive Business Services (KIBS) in Europe - Unlocking the Potential of the Knowledge Based Economy’ Helsinki, 23-24 November 2006; or the German research and innovation programmes focusing on services.

2. Stakeholders of the proposed action

2.1 Stakeholders:

The stakeholders involved in Innovation Policies– i.e. the ministries responsible for innovation policies in the different Member States and the European Commission – should promote an action at this level. The action should be in line with objectives of the PRO-INNO Programme, and implemented through an INNO-NET scheme with financial support from the European Commission. Business development & innovation agencies, with a clear mandate from their ministries concerning the implementation of this action, should be responsible for implementing the INNO-NET project. Such agencies, supported by their Governments and Ministries, would form the consortium for this initiative and should play a key role throughout the whole implementation. The core of partners should therefore come from this group, and ensure a pan-European representation.

Comment [KS1]: What do we mean by mandate - a very specific mandate concerning this project/think tank or a more general one concerning promotion of innovation in general.

At a second level, international organisations as the European Patent Office or Financing sector and venture capital associations, with a direct intervention in Innovation Policies, could also be relevant stakeholders, as could at minor extent international and national associations representing Service Companies.

At a third level, there would be stakeholders who could be represented through appointing Think-Tank members. Especially European innovation agencies' experts, academics, companies' expert representatives can be seen as Think-Tank members, ensuring independence from their home institutions.

Finally consultant firms and experts can be seen as service providers to the Think Tank (secretariat, management of Task Forces, organisation of events, publications, communication and marketing platforms, studies, etc.).

The full list of potential stakeholders is presented below:

Table 7 – Stakeholders

Stakeholder Name	Type*	Importance**	Interests
European Commission	Public Authority	European player	Innovation policies implementation at European level
Ministries	Government	European and National Players	Innovation policies conception and implementation at national and European level, via Council.
Innovation Agencies	Policy implementation agencies – public authorities	National players	Innovation policies implementation at national and European level
Governmental Agencies	Public authorities	National players	Development of more innovation-friendly public procurement policies, enhanced HR policies and R&D and innovation programmes more adapted to the need of service companies.
The European Patent Office	Patent services in Europe	European and global player	Specific support actions and awareness raising, on how to foster use of IPR to service sector, including use of informal forms of protection.
Companies associations	Chambers of Commerce or other	National and international players	Represent the interests of service companies, and in particular the specific needs of fast growing innovative firms in

			the service sector.
Financing sector and venture capital associations	Business community organisations	Global and European player	Measures to facilitate the access of service companies to risk Financing.
Consulting firms	Firms	European player	Provision of secretariat services

2.2 Potential partners

As referred under 2.1 above, the core group of partners should come from National Innovation Agencies. At this stage, contacts have been started mainly with the agencies who have had representatives, directly or indirectly, involved in the preparation of this report. As a number of agencies are represented in the ILSG, the next meeting in Brussels on 16 November will represent an opportunity to enlarge the number of potential partners.

In parallel, contacts with other potential partners will continue.

The table below resumes the current status as regards potential partners:

Table 8 – Potential Partners

Institution Name	Contact person	Contact details	Already informed yes/no	Estimation of willingness to join
Innovation Norway	Knut Senneseth		Yes	Positive
Scottish Enterprise	Ian McCoull / Madeline Smith		Yes	Positive
Agência de Inovação	Lino Fernandes / Bibiana Dantas		Yes	Positive
TEKES	Minna Suutari	Tel. +358 50 5577830 minna.suutari@tekes.fi	Yes	Positive
....				

2.3 Roles of the involved partners

As mentioned above, the core group of partners shall come from National Innovation Agencies, with responsibilities over innovation policies in their own country. This group should include a sufficiently large number of agencies to ensure a good European representation and be well balanced in geographical terms. The participation of agencies from Member States with more advanced policies on innovation in services – as Finland and Germany – is particularly envisaged. In total, a minimum of 10 – 15 agencies should be represented, with one ensuring the role of the coordinator. This core group would be responsible for further developing the action into a proposal format, including a detailed proposed organisational structure and workplan for the project implementation. The proposal should include already a preliminary list of Think-Tank Members, which should be further validated during negotiation and implementation stages, in agreement with the European Commission. The Think-Tank can and should include representatives from the National Innovation Agencies, but should also be open to representatives from other international and national organisations, universities, companies, etc., while it's the National Innovation Agencies (the core group of partners) role to steer the Think-Tank activities.

Once the project is in course, the role to be performed by this core group of partners are included the following tasks:

- Steering of the Think Tank activities, including definition of mandate and workplan;
- Final composition of Think Tank;

- Active participation in project activities, in particular the Dialogue platform for the exchange of ideas, information and best practices (participation in 1 yearly European conference on “Innovation in Services”) and on provision of information for the European repository of knowledge and good practices on innovations in service;
- Dissemination and promotion at national level of the activities and results of the action and in particular of the Road-map for the “widening” and “deepening” of innovation policies for service innovation.

On a second level of partners there may be the involvement from international organisations as the European Patent Office or Financing sector and venture capital associations, with a direct intervention in Innovation Policies, and, at minor extent international and national associations representing Service Companies. These partners could in particular be involved in the following tasks:

- Participation, directly and through promotion towards their associates or shareholders, in the Dialogue platform for the exchange of ideas, information and best practices (participation in 1 yearly European conference on “Innovation in Services”) and on provision of information for the European repository of knowledge and good practices on innovations in service;
- Appointing members to the Think Tank;
- Contribution to the Task Forces producing the reports on the needs and requirements of service innovation in both service and manufacturing firms;
- Dissemination and promotion of the project activities and results of the action and in particular of the Road-map for the “widening” and “deepening” of innovation policies for service innovation towards their associates or shareholders.

On a third and final level of partnership, there should be Service Providers, responsible for ensuring the smooth and efficient implementation of the action, namely through providing and managing a secretariat, management of Task Forces, organisation of events, publications, communication and marketing platforms, studies, etc.

Table 9 – Roles of Partners

Partner	Desired Role	Value judgement on role
Innovation Agency	Coordinator	Crucial
Innovation Agencies (10 – 15)	<ul style="list-style-type: none"> - Steering of the Think Tank activities - Nomination of Think Tank members - Active participation in project activities - Dissemination and promotion at national level of the activities and results of the action 	Very Important
International Institutions and Associations (e.g. EPO, European Venture Capital and Business Angels Associations, other)	<ul style="list-style-type: none"> - Participation, directly and through promotion towards their associates or shareholders, in the project activities; - Dissemination and promotion of the project activities and results towards their associates or shareholders 	Relevant
Service Providers	<ul style="list-style-type: none"> - Managing a secretariat, - Management of Task Forces, - Organisation of events, - Publications, - Communication and marketing platforms, - Studies 	Very Important

3. Expected impact of the proposed action

3.1 Utility of the initiative

It is a known fact that still today many countries do not have innovation policies that target services, and participation of service-sector firms in sector-neutral programmes is low. The few existing policies targeting service innovation aim primarily at ICT development and use. Clearly, greater attention is needed to raising awareness of public policies and programmes among service-sector firms, but it will also be important to design programmes to be more relevant and useful to the service sector. Since the characteristics of service-sector innovation vary among individual service industries, policy makers must be challenged to establish effective sector-wide policy measures for promoting innovation, which at present do not exist.

The proposed action aims at a new mind-set as regards innovation policies, with a call for concrete measures that can both “widen” - by the creation of new measures specifically targeted to service innovation – and “deepen” – by extending the scope of existent measures so that they can be better accessed by service firms – innovation policies, including both technological and non-technological fields, and encouraging the usage of Research and Science base, IPR and Funding mechanisms by service firms.

In this sense, the action will represent a clear difference with the existing context, which is characterized by a bias towards manufacturing industries in all national innovation systems within Europe.

The proposed Think Tank can help ministries and national innovation and development agencies in formulating such broader and deeper innovation policies by assessing good practice, analysing particular needs and requirements of service innovation and giving advice concerning content – practical policy content advice.

This will result in added-value for the European and national innovation systems and ultimately for its beneficiaries, in particular service companies (and in particular knowledge intensive ones) but in general all innovative companies.

Table 10 – Added-Value

Target group	Added value for the group	Difference from existing context (system name + description)
Innovation Policy Makers	<ul style="list-style-type: none"> - Exchange of ideas, information and good practices between Member States and regions on Innovation in Services; - Provision of a European Repository on knowledge and good practices contributing to the creation of a common awareness and understanding in the area of Service Innovation - Production of a series of high-level reports on the needs and requirements of service innovation in both service and manufacturing firms, thus preparing the public sector for the adoption of a new and improved policy; - Production of a road-map for the “widening” and “deepening” of innovation policies for service innovation, with wide EU 	The action will aim at achieving a new mind-set as regards innovation policies, recommending broader and deeper innovation policies, that move away from the current bias towards manufacturing industries existent in all EU innovation systems,

	application, with the aim to help committed and reform-minded policymakers – and in particular the stakeholders of the action – to implement and measure their programs more effectively.	
Service Firms	- Innovation Policies more aligned to the requirements of service innovation in both services and manufacturing firms, and promoting a better usage of Research and Science base, IPR and Funding mechanisms by service firms;	Present Innovation Policies have a bias towards manufacturing industries while usage of Research and Science base, IPR and Funding mechanisms by Service firms is not specifically encouraged and promoted.
Innovative Firms	- Innovation Policies more aligned to the requirements of service innovation in both services and manufacturing firms;	Present Innovation Policies have a bias towards manufacturing industries; At a time when traditional borderlines between manufacturing and service is getting blur, enhanced innovation in services should be seen as intrinsic element in sustaining and enhancing the competitiveness of manufacturing industry.

3.2 Unique features

Now it is more than obvious that policy makers in different Member States are facing a number of challenges that need to be tackled in order to meet, for example, the ambitious targets of the Lisbon agenda. Achieving these service innovation challenges is to a great extent dependent on the innovativeness and economic performance of services: of service sector as such, and of service business development within manufacturing companies. There is a clear need to develop new innovation policy framework both at national and European levels that would better support service businesses and in that way increase the competitiveness and performance of the European economy.

But to develop such new policies, a new mindset needs to be established. At present the EU Member States are going through a transitional period where the mindset has not yet fully adjusted to the requirements and potential of the services related innovation. The development of innovation policy and activities targeted at services is still at an early phase and the national and regional innovation systems are only slowly adapting to the new service paradigm. Most national and regional actors in Europe are only beginning to implement policies, activities and programmes supporting service innovation and there are not any European activities in this field so far. Thus there is a clear, identified need and, at the same time, also an opportunity to establish an efficient trans-national policy design, learning and implementation process in the given field. Such a process would benefit all Member States and also EU as an entity. The most effective way towards a new, broad-based innovation policy that recognises also services related innovation would be a trans-national learning process that consolidates the experience and good practices developed by national and regional level actors.

The establishment and operation of a European Think-Tank that will be engaged into strategic level discussion and agenda development for service innovation policy, appears as the most effective way to implement such a trans-national learning process and build on its lessons and conclusion. Such a think-tank would function as a driving force for the mind-set change and service innovation policy development and help to develop common language and understanding of services related innovation, while producing outputs

in terms of reports on the specific needs and requirements of the Service Innovation and a Road-Map for the “widening” and “deepening” of innovation policies for service innovation, with wide EU application.

The fact that such Think-Tank will be promoted by Innovation Agencies, acting with a clear mandate from their Ministries concerning the implementation of this action, also means that both the policy formulation and implementation dimension will be represented in the action, in which will be a unique feature.

Amongst the main features of the proposed action are:

- the possibility to Set-up of a dialogue platform, through the organisation of an annual forum on “Innovation in Services”; this forum will be the main element of a platform for the exchange of ideas, information and best practices between Member States and regions;
- the development of an European repository of knowledge and good practices on innovations in services, performed through the mapping of the existent knowledge and good practices on the service innovation field, and actively disseminated in order to contributing to the creation of a common awareness and understanding in the area;
- the production of a set of reports on the needs and requirements of service innovation as regards its different components in terms of Process, Offering, Delivery and Finance;
- the development of a road-map for the “widening” and “deepening” of innovation policies for service innovation, including concrete proposals for new (“widening”) and improved (“deepening”) innovation policies, but also recommendations on indicators for measuring its impact and success and follow-up measures.

The proposed action could be the deployment of the features above individually. In this way, the effort at trans-national level will be reduced (e.g. focused only on the organisation of a large European Conference on Innovation in Services), leaving a larger margin for each national innovation system to go its own path until the implementation of improved policies towards service innovation.

In our view, the proposed integrated approach, albeit more ambitious, is better due to the following reasons:

- there is an evident synergy in addressing the problem of service innovation and propose concrete recommendations at a joint trans-national level, as the situation in all MS is very similar;
- there is considerable synergy and gain in deploying the above listed features in an integrated and sequential manner, as the Dialogue will provide input for the Repository and so will be the Reports, and the Reports and Repository will provide input for the Road Map; deploying the features individually will result in loss of time and duplication of efforts.

Table 11 – Features

Feature	Description	Argumentation why/how it is better than alternatives
Set-up a Dialogue Platform	Organisation of an annual forum on “Innovation in Services” which will be the main element of a platform for the exchange of ideas, information and best practices between Member States and regions;	The proposed integrated approach, through a single action of 36 months funded through a INNO-NETS mechanism is considered to be better than the alternative of targeting each feature individually (e.g. through shorter and smaller projects at EU level, leaving the production of reports and Road-Map for implementation to the MS) due to the following reasons: <ul style="list-style-type: none"> — there is an evident synergy in addressing the problem of service innovation and propose concrete recommendations at a joint trans-national level, as the situation in all MS is very similar; — there is considerable synergy and gain in deploying the above listed features in an
Develop an European Repository of Knowledge and Good Practices	Mapping of the existent knowledge and good practices on the service innovation field;	
Production of a set of reports on the needs and requirements of service innovation	Task Forces will study and produce reports on the needs and requirements of service innovation as regards its different components in terms of Process, Offering, Delivery and Finance.	
Development of a road-map for the “widening” and “deepening” of innovation policies for service innovation	Reports and all information on Repository will be subject to a throughout analysis by the Think-Tank members regarding	

	<p>how can the identified needs and requirements be considered by new or improved innovation policies, that should either specifically target service innovation (“widening” innovation policies) or better take into account their specificities (“deepening” innovation policies), including in such relevant areas as increased use of the science and research base, IPR mechanisms and funding sources by service firms.</p> <p>The road-map should include concrete proposals for new (“widening”) and improved (“deepening”) innovation policies, but also recommendations on indicators for measuring its impact and success and follow-up measures</p>	<p>integrated and sequential manner, as the Dialogue will provide input for the Repository and so will be the Reports, and the Reports and Repository will provide input for the Road Map; deploying the features individually will result in loss of time and duplication of efforts.</p>
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3.3 Long term impact of implementing the initiative

The long-term impact of the proposed action can be substantial, as the success of Europe is intimately bound up with the success of its service economy, and the success of the service economy relies on its capacity to innovate.

In particular, the following impact is expected from the action in the long-term:

- (1) Developing the conditions to take policymaking regarding innovation in services forward and strongly increase the number of service firms that benefit from Innovation Programmes in Europe;
- (2) Contribute to the creation and marketing of new innovative services.
- (3) Improving the performance of the service sector as a whole through increased innovation;
- (4) Sustaining and enhancing the competitiveness of manufacturing industry through increased innovation in services;
- (5) Contributing to create common awareness and understanding in the area of service innovation including more accurate measure of the performance of innovation in services through new indicators;

4. Implementation of the proposed action

4.1 Implementation modalities

In the table below there are the main 5 steps and short descriptions of the proposed action programme elements.

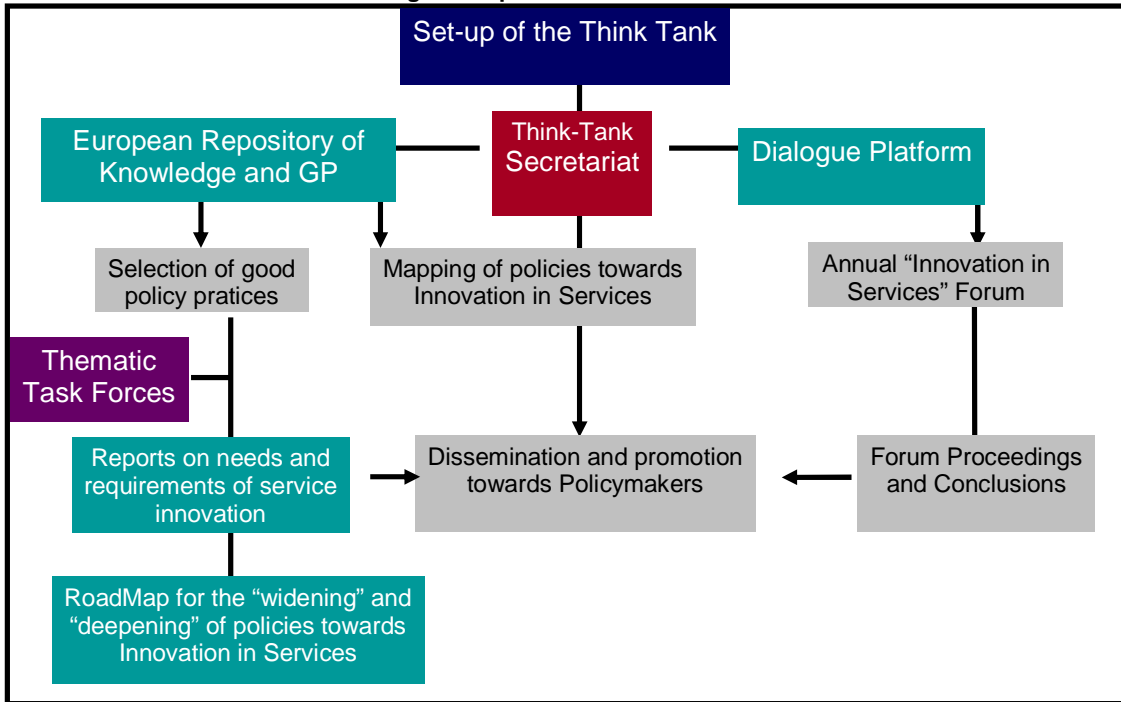
Table 12 – Implementation steps

Nr	Step Name	Short description
1	Set-up of Think Tank	<ul style="list-style-type: none"> • Committed innovation agencies, and other institutions responsible for innovation policies, should form the consortium responsible of the action implementation, and will decide on think-tank composition and on the detailed work plan that should be followed; • A Think Tank of 20-25 members should be established; members can be experts from innovation agencies, ministries, international organizations (e.g. OECD) academics in the field of innovation economics, SME and companies representatives, etc.; They should act as individuals, in full independence from the organizations they may represent; they should work on a continuous basis, with monthly meetings and using the necessary IT tools; • Secretariat services should be provided for Think-Tank for the whole duration of the process and resources for studies, analysis and review exercises from experts (as input to Think-Tank activities) should be considered. The secretariat will provide the means for the think-tank to implement the actions needed to achieve its objectives, including provision of communication and marketing tools.
2	Set-up of a Dialogue Platform	<ul style="list-style-type: none"> • An annual forum on “Innovation in Services” will be organised under the auspices of the Think-Tank and relying on the Secretariat services; this forum will be the main element of a platform for the exchange of ideas, information and best practices between Member States and regions; Outputs and procedures from each forum will be added to the Repository described below
3	Develop an European repository of knowledge and good practices on innovations in services	<ul style="list-style-type: none"> • Think-Tank members, using additional experts as deemed necessary, and in close cooperation with MS innovation agencies, should map the existent knowledge and good practices on the service innovation field, and develop an active dissemination strategy to promote the collected information in order to contributing to the creation of a common awareness and understanding in the area;
4	Produce a set of reports on the needs and requirements of service innovation in both service and manufacturing firms.	<ul style="list-style-type: none"> • The Think-Tank should launch Task Forces that should study and produce reports on the needs and requirements of service innovation as regards its different components in terms of Process, Offering, Delivery and Finance. • Such reports should be added to the Repository described above, but should in particular be subject to a throughout analysis by the Think-Tank members regarding how can the identified needs and

		requirements be considering by new or improved innovation polices, that should either specifically target service innovation (“widening” innovation polices) or better take into account their specificities (“deepening” innovation polices), including in such relevant areas as increased use of the science and research base, IPR mechanisms and funding sources by service firms
5	Develop a road-map for the “widening” and “deepening” of innovation polices for service innovation	<ul style="list-style-type: none"> As a result of the analysis work above described, the Think-Tank should develop a Road-map for better policies for Service Innovation in Europe. The road-map should include concrete proposals for new (“widening”) and improved (“deepening”) innovation policies, but also recommendations on indicators for measuring its impact and success and follow-up measures.

The proposed implementation scheme is pictured below:

Fig. 2 – Implementation Scheme



4.2 Planning

The planned action is foreseen to be implemented over a 36 months period. The proposed implementation timeframe is presented next:

Table 13 - Planning

January 2009	Start of the action
April 2009	Set-up of Think-Tank completed Secretariat Services implemented and running
May 2009	Mapping exercise started
October 2009	First "Innovation in Services" Forum organised
November 2009	European Repository launched, including: <ul style="list-style-type: none"> - proceedings and conclusions from 1st Forum - first mapping of Good Practices and knowledge on Innovation in Services
November – December 2009	Dissemination actions at MS level
January 2010	First 5 Task-Forces launched on the themes of: <ul style="list-style-type: none"> - Innovation Process - Core Process - Service Performance - Service System - Customer Service
July 2010	First batch of Task-Forces reports submitted to Think Tank
September 2010	First batch of Task-Forces reports validated by Think Tank
October 2010	Second "Innovation in Services" Forum organised
November – December 2010	Dissemination actions at MS level
January 2011	Second 5 Task-Forces launched on the themes of: <ul style="list-style-type: none"> - Delivery channels - Delivery Brands - Customer Experience - Business Models - Value network
July 2011	Second batch of Task-Forces reports submitted to Think Tank
September 2011	Second batch of Task-Forces reports validated by Think Tank
October 2011	Third "Innovation in Services" Forum organised
November 2011	Road-Map for better Innovation in Services Policies presented
December 2011	Final dissemination actions

4.3 Cost effectiveness

A first estimation of costs for the proposed action is presented in the table below:

Table 14 – Estimated Costs

Type of cost	Description	Amount
Coordination	Coordination costs include: <ul style="list-style-type: none"> - 1 Full-time Project Manager @ 10.000€ / month, including overheads - Clerical and financial support, on a 20% allocation basis, @ 5.500€ including overheads - Travel costs for coordination - Auditing costs for the partners 	400.000 €
Think Tank members	Think-Tank members costs include: <ul style="list-style-type: none"> - up to 25 members, on a 20% time- 	1.000.000 €

	<p>allocation basis @ 10.000€ / month, including overheads</p> <ul style="list-style-type: none"> - Travel costs (1 meeting every 3 months) 	
Secretariat Services	<p>Secretariat Services include:</p> <ul style="list-style-type: none"> - 1 Full-time consultant @ 10.000€ / month, including overheads - 2 Project assistants on a 50% allocation basis @ 5.000€ / month, including overheads - Marketing and communication tools and platforms development - Travel costs for secretariat 	1.000.000 €
Annual "Innovation in Services" Forum	<p>Costs with the 3 editions of the "Innovation in Services" Forum include:</p> <ul style="list-style-type: none"> - Organisation costs - Rooms and logistics - Promotion - Fees for invited speakers - Travel costs 	300.000 €
Task Forces	<p>Task Forces costs include:</p> <ul style="list-style-type: none"> - Fees for up to 5 experts per task-force, 10 days x 450€ per expert, x 10 Task Forces - Travel costs - Publishing costs for the reports 	300.000 €
Estimated Total Costs:		3.000.000 €