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Do Services Innovate (Differently)? Insights from the European Innobarometer Survey

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Abstract

Although advanced economies are increasingly dominated by services, relatively little is known about whether and how services innovate. Instead, our understanding of innovation and innovation processes has been very largely derived from studies of manufacturing, and the production of technologically advanced artefacts. As services do not generally produce technologically advanced artefacts, they are often considered to be non-innovative, or "supplier-dominated" recipients of technologies rather than "true innovators". An alternative perspective is that services tend to innovate differently from manufacturers, or at least that innovation in services brings to the fore "softer" aspects of innovation based in skills and inter-organisational cooperation practices which are pervasive across the economy but which do not tend to be prominent amongst manufacturers, and are therefore neglected. We examine these

issues through an empirical analysis of a survey of European firms which was carried out in 2002.

Keywords:

Services | advanced economies | innovation | European innobarometer survey

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Notes

And a few “peculiar services”, such as computer services and telecommunications.

This paper draws on the findings of a European Commission funded study on “Innovation in Services: Issues at Stake and Trends” (Howells and Tether 2004). I would like to thank EOS Gallup Europe for the provision of the data used in the paper, and Jeremy Howells, Ian Miles, Judy Matthews, Jan Vang and an anonymous referee for comments on previous versions. I am grateful to the Commission for permission to pursue the academic publication of this work. The views expressed are those of the author and do not necessarily reflect those of the European Commission, EOS Gallup Europe or any of the colleagues mentioned above.

In all European countries except Luxembourg and Portugal.

This is not the best possible example, because there are many variants of the Golf within each generation. Moreover, some would contend that the performance of the car has not improved, as it has become bigger and heavier. Nonetheless, it is a well-known product that has gone through several generations.

As well as in other activities such as construction where the identification of discrete innovations may be difficult.

Evangelista and Sirilli (1998) found up to 35 per cent of Italian service firms that introduced innovations were unable or found it difficult to distinguish between product and process innovations.

Traditionalists may balk at the idea that such things as implementing an “open plan office arrangement” constitutes an innovation. But whether it does or does not surely depends on what is meant by innovation and the purpose of the change. If the intention of the change was to increase communications (and the sense of community) and thereby change behaviours, to raise productivity and/or to improve the service offered, then it seems reasonable to consider such a change an innovation, particularly as the outcome cannot be fully known in advance (i.e. an element of uncertainty is involved). If this change is also not immediately reversible and involved significant sunk costs (in money and/or time), then that also suggests that the change should qualify as an innovation.

Services include the wholesale and retail trades, finance, transport and communications, business services and services to consumers.

Based on chi-square tests.

This analysis treats each firm equally (i.e. large firms are not given greater weight than small firms).

By invoking Schumpeter I do not wish to argue for a “strictly Schumpeterian” definition of innovation (Drejer, 2004). In the first place Schumpeter's definitions were not precise, but beyond that much has changed in the world in the 50 years since Schumpeter’s death. He cannot have anticipated many changes to the way in which firms approach innovation (e.g. the increasing in importance of platform technologies, rather than products or processes). Rather than taking a strictly Schumpeterian approach, I would argue for an approach inspired by Schumpeter.

[a]Manufacturers with a new product and/or new production process orientation to innovation.

[b]Service firms with a new product and/or new production process orientation to innovation.

[c]Service firms with an organisational change orientation to innovation.

Notes: [a]Dummy for “new firms” established since 1997—compared against “established firms” which existed prior to 1997.

[b]Dummies for two types of innovating service firms—compared against manufacturers that focused on product and/or process innovation.

N.B. Also included are “country dummies” for all countries except Germany, which is the reference country. Coefficients are not reported.

***=significant at 1%; **=significant at 5%; *=significant at 10%.

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