Public-private innovation networks in services and policy implications: selected insights from the ServPPIN project

Inno GRIPS ServPPIN Workshop, 30th May 2011

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• The ServPPIN project
• Main outcomes:
  1. Macro level
  2. Meso level
  3. Micro level
  4. Policy level
• Concluding remarks
• ServPPIN recent publications
Links with the EU policy context

Horizontal view of industrial policy
Room for business support services
Focus on transport, health, others

Changes in regulations and competition in services
Low productivity gains in services
Services offshoring to low-wages countries

Internal market for services
Business-related services
ICT-related services
Services of general interest and PPP

Strategy for innovation in services
Services in industrial policy
Services in RD policies

Public sector needs
New societal challenges for services


Europe 2020 Strategy
The ServPPIN project

Full title:

The Contribution of Public and Private Services to European Growth and Welfare, and the Role of Public-Private Innovation Networks

Type of funding scheme: Collaborative projects; Small focused research project;

Work programme topics addressed: Topic SSH-2007-1.2.2. The implications of developments in the service economy for the European economy
The ServPPIN project

What is about

Private services

Public services

INNOVATION

INNOVATION

NETWORKS

Impacts on EU growth and welfare
The ServPPIN project

What is about

- New Service developments and the contribution of priv. & publ. serv. to growth and welfare WP1
- Public and private service innovation impact assessment WP2
- Concept and role of public-private innovation networks WP3
- ServPPIN: Case studies in health services WP4
- ServPPIN: Case studies in knowledge intensive services WP5
- ServPPIN: Case studies in transport services WP6
- Policy implications WP7
- Diffusion of knowledge WP8
- Project coordination WP9
The ServPPIN project

The consortium

<table>
<thead>
<tr>
<th>Beneficiary Number</th>
<th>Beneficiary name</th>
<th>Beneficiary short name</th>
<th>Country</th>
<th>Date enter project</th>
<th>Date exit project</th>
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<tr>
<td>1 (coordinator)</td>
<td>Universidad de Alcalá</td>
<td>UAH</td>
<td>Spain</td>
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<td>University of Hohenheim</td>
<td>Uni-HO</td>
<td>Germany</td>
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<td>13</td>
<td>University of Nottingham</td>
<td>UON</td>
<td>United Kingdom</td>
<td>19</td>
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</tbody>
</table>
The ServPPIN project

What is about

Macro
- Key developments
  - Growth and welfare
  - Structural change

Meso
- Key developments
  - Service performance
  - Organizational change

Micro
- Key developments
  - Innovativeness
  - Organizational change

Services

Innovation in Services

Public-Private Service Provision

Public-Private Innov. Networks

Service Actors

Innovation actors

The ServPPIN project
Main outcomes

1. Macro level

**Stylized facts on public, private and mixed services**
- The dominant trend is towards the increasing participation of private services in total employment

**Similarities and dissimilarities across the enlarged EU**
- There is not a single model of service economies in Europe.
- Service economies models are closely correlated with social and institutional models.
- Dynamic role of knowledge and innovation.

**New developments and challenges**
- Sources of structural change,
- Patterns of transition economies,
- Environmental issues,
- Social considerations
- Internationalization of service activities
Main outcomes

1. Macro level

**Explanatory factors of public, private and mixed services growth**
- Different roles played by factors such as: the state, social and demographical changes, labour market institutions and previous developments in the evolution of public, private and mixed services.

**Assessment of performance and efficiency**
- Private and public services have made significant contributions to aggregated employment and value added growth in the EU in recent years.
- Their impacts should also be assessed on the basis of a multidimensional approach which takes into account outcomes and quality aspects.

**The performance gap and the innovation gap**
The new service economy

The service economy and the contribution to growth and welfare

- It is possible to talk about a **new service economy** that places services at the centre of any economic and social activity.
- The **changes in inputs, in productive systems and in markets** can explain the increased participation of services in modern economies. Moreover, the new service economy is a reaction to new challenges.

### A perspective of services in the world, % of GDP, 2008

Source: World Development Indicators, World Bank.

### Employment in services and GDP per capita, 2009 (EU27=100)

Source: Based on Eurostat.
Based on **macro indicators**, **five service economy models** are identified in the enlarged EU. This mapping correlates closely with different **social and institutional models**.

Varieties of service economies in Europe:

- **Anglo-Saxon**: Strong private services orientation in employment, rising in mixed services.
- **Central continental**: Strong public services orientation in employment, rising in private services.
- **Mediterranean**: Lowest share of mixed services in employment, rising in private services.
- **Nordic**: Strong mixed services orientation in employment, rising in private services.
- **CEEC**: Lowest share of private services in employment but highest annual growth rate during the last decade.
In modern service economies, a problem lies in the definition and measurement not only of performance but also of innovation. These gaps on innovation and performance blur the innovation-performance relationship. Relationships involving invisible innovation and invisible performance should also be taken into account by public policies.

![Innovation gap, performance gap and policy gap](image)
Main outcomes

2. Meso level

Theory developments under multi-institutional frameworks
- Innovation network life cycle
- Evolutionary inefficiencies
2. Meso level

Social network analysis

- Acknowledge for the heterogeneity of actors and their different roles

<table>
<thead>
<tr>
<th></th>
<th>Formal</th>
<th>Informal</th>
<th>Frequency</th>
<th>Importance</th>
<th>Content</th>
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<tbody>
<tr>
<td>Degree Centrality</td>
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<td>Closeness Centrality</td>
<td></td>
<td></td>
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<tr>
<td>Betweenness Centrality</td>
<td></td>
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<tr>
<td>Density</td>
<td></td>
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</tr>
<tr>
<td>Distance</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Degree Distribution</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
2. Meso level

Cooperation between public and private sectors – cross sector perspective

Less than 15% of innovative private firms cooperate with public bodies...however, innovative performance may increase when cooperation is produced.

Share of enterprises engaging in cooperation arrangements for innovation with public entities, ranked by cooperation with universities and other higher education institutions

<table>
<thead>
<tr>
<th>Sector NACE</th>
<th>NACE Rev. 1.1 Codes</th>
<th>University or other higher education institutions</th>
<th>Public research institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>K(73)</td>
<td>62.87</td>
<td>52.82</td>
</tr>
<tr>
<td>Manufacture of chemicals</td>
<td>DG(24)</td>
<td>26.03</td>
<td>17.07</td>
</tr>
<tr>
<td>Manufacture of basic metals</td>
<td>DJ(27)</td>
<td>23.98</td>
<td>16.77</td>
</tr>
<tr>
<td>Manufacture of other transport equipment</td>
<td>DM(35)</td>
<td>23.89</td>
<td>18.92</td>
</tr>
<tr>
<td>Manufacture of communication equipment</td>
<td>DL(32)</td>
<td>23.04</td>
<td>13.34</td>
</tr>
<tr>
<td>Manufacture of medical instruments</td>
<td>DL(33)</td>
<td>21.18</td>
<td>12.56</td>
</tr>
<tr>
<td>Manufacture of office machinery</td>
<td>DL(30)</td>
<td>17.81</td>
<td>12.17</td>
</tr>
<tr>
<td>Manufacture of electrical machinery</td>
<td>DL(31)</td>
<td>16.34</td>
<td>9.16</td>
</tr>
<tr>
<td>Computer and related activities</td>
<td>K(72)</td>
<td>15.23</td>
<td>11.21</td>
</tr>
<tr>
<td>Manufacture of machinery and equipment</td>
<td>DK(29)</td>
<td>15.15</td>
<td>12.09</td>
</tr>
<tr>
<td>Post and telecommunications</td>
<td>I(64)</td>
<td>14.90</td>
<td>9.95</td>
</tr>
<tr>
<td>Manufacture of motor vehicles</td>
<td>DM(34)</td>
<td>14.89</td>
<td>8.92</td>
</tr>
<tr>
<td>Other business activities</td>
<td>K(74)</td>
<td>14.71</td>
<td>11.02</td>
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<tr>
<td>Manufacture of pulp and paper</td>
<td>DE(21)</td>
<td>14.39</td>
<td>12.83</td>
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<tr>
<td>Water transport</td>
<td>I(61)</td>
<td>11.40</td>
<td>4.76</td>
</tr>
<tr>
<td>Manufacture of textiles</td>
<td>DB(17)</td>
<td>11.39</td>
<td>7.26</td>
</tr>
<tr>
<td>Manufacture of food products and beverages</td>
<td>DA(15)</td>
<td>9.79</td>
<td>7.90</td>
</tr>
<tr>
<td>Manufacture of fabricated metal products</td>
<td>DJ(28)</td>
<td>9.23</td>
<td>6.43</td>
</tr>
<tr>
<td>Supporting and auxiliary transport activities</td>
<td>I(63)</td>
<td>8.52</td>
<td>7.39</td>
</tr>
<tr>
<td>Manufacture of wearing apparel</td>
<td>DB(18)</td>
<td>8.49</td>
<td>7.95</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>J(65)</td>
<td>7.85</td>
<td>4.04</td>
</tr>
<tr>
<td>Insurance and pension funding</td>
<td>J(66)</td>
<td>7.72</td>
<td>6.19</td>
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<tr>
<td>Wholesale trade and commission trade</td>
<td>G(51)</td>
<td>7.66</td>
<td>5.47</td>
</tr>
<tr>
<td>Manufacture of wood</td>
<td>DD(20)</td>
<td>7.54</td>
<td>5.04</td>
</tr>
<tr>
<td>Activities auxiliary to financial intermediation</td>
<td>J(67)</td>
<td>5.76</td>
<td>5.06</td>
</tr>
<tr>
<td>Air transport</td>
<td>I(62)</td>
<td>5.74</td>
<td>3.35</td>
</tr>
<tr>
<td>Land transport; transport via pipelines</td>
<td>I(60)</td>
<td>5.73</td>
<td>5.96</td>
</tr>
<tr>
<td>Retail trade</td>
<td>G(52)</td>
<td>4.27</td>
<td>3.16</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>H(55)</td>
<td>2.18</td>
<td>2.67</td>
</tr>
</tbody>
</table>

Sector average                        | 14.36               | 10.38                                             |
Main outcomes

2. Meso level

Cooperation between public and private sectors – cross country perspective

- More cooperation is given in very innovative systems (Nordic countries) and countries with high presence of public institutions (CEEC)

 Enterprise engaging in cooperation arrangements with public entities, country averages

Source: CIS4 database, Eurostat
Main outcomes

2. Micro level

Case study approach

- Case studies provide a micro-perspective on the emergence of innovation networks over their life cycle and can give insight in drivers, actor configurations and critical events of their evolution over time.

- In 2008/2009, the project teams studied around 40 cases in the following services sectors:
  - transport;
  - health services and
  - in knowledge-intensive services and tourism.

- The case studies were carried on in seven different countries.
Main outcomes

2. Micro level

Blocs of research questions for ServPPIN case studies (WPs 4, 5, and 6)

Emerging properties (A)
- Service characteristics
- Innovation characteristics
- Network characteristics (SNA)

Determinants (B)
- Technological opportunities
- Organisational options
- Actors’ competencies, motivations and resources
- Market demand
- Leadership
- Institutional framework

Policy approaches (D)
- Opportunity
- Capacity
- Robust and adaptive options
- Time strategies

Impact assessment (C)
- Output-oriented – impact assessment
- Process-oriented – evol. efficiency
- Sustainability & flexibility of changes in K, B, T
- “Desirable” properties, changing during the life cycle

Research/design phase
- Crystallisation

Piloting phase
- Commercialisation

Implementation phase
- Consolidation

## Main outcomes

### 2. Micro level

**Social network analysis** applied to case studies in health

<table>
<thead>
<tr>
<th>Innovation</th>
<th>Country</th>
<th>Category</th>
<th>Third Sector</th>
<th>Central Role</th>
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<tbody>
<tr>
<td>Diabetes Education</td>
<td>UK</td>
<td>Intangible service</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Capacity Planning</td>
<td>UK</td>
<td>Organizational /Process</td>
<td>No</td>
<td></td>
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<tr>
<td>Health school for illness prevention</td>
<td>Denmark</td>
<td>Intangible service</td>
<td>No</td>
<td></td>
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<tr>
<td>Public-private network for elderly care innovations</td>
<td>Denmark</td>
<td>Network</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>IT risk adjustment software tool</td>
<td>Spain</td>
<td>Technology mediated serv.</td>
<td>No</td>
<td></td>
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<tr>
<td>Social network site for health professionals</td>
<td>Spain</td>
<td>Network</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Handheld defibrillators</td>
<td>Austria</td>
<td>Network &amp; Technology mediated service</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Virtual reality rehabilitation therapies</td>
<td>France</td>
<td>Technology mediated serv.</td>
<td>No</td>
<td></td>
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<tr>
<td>Supersonic imaging</td>
<td>France</td>
<td>Technology mediated serv.</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Public-private partnership for research</td>
<td>France</td>
<td>Organizational /Process</td>
<td>No</td>
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</tbody>
</table>
**Some impacts from case studies**

<table>
<thead>
<tr>
<th>Public-private innovation</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic displays at bus &amp; tram stops and train stations that show time of arrival of next bus, tram or train. Based on a sophisticated real-time fleet management information system using GPS, GSM, Wi-Fi and WLAN</td>
<td>SIS has contributed considerably to the goal of a 20% reduction of travel time for passengers.</td>
</tr>
<tr>
<td>Integration of traffic data from all modes in an online traffic information system. Dynamical mapping of the traffic situation; route planning</td>
<td>New service widely accepted: 15,000 calculated routes in the first month</td>
</tr>
<tr>
<td>Training specialisation in strategic and innovation management for local tourist board managers</td>
<td>1/3 of Danish local tourism managers have been trained</td>
</tr>
<tr>
<td>New entrepreneurship support centre, small business’ network, career centre, high-tech innovation promotion centre</td>
<td>22 start-up assisted and expanded their consultancy services for SMEs with 5 partner support firms</td>
</tr>
<tr>
<td>Training specialisation in industrial technologies to enforce the acquisition of skills in high technology processes and, thus, to foster competitiveness of industrial sectors in the region of Valencia</td>
<td>Close to 100 technicians stood in 91 research centres in 20 countries, 37 innovative projects have been developed by private agents and 13 research fields have been developed and implemented in traditional industries</td>
</tr>
<tr>
<td>New training for physicians for diabetes treatment</td>
<td>Patients with HbA1c levels below 7% increased from 43% to 49% (benefit in terms of a reduction of diabetes related complications). Patients with HbA1c levels higher than 9% (poorly controlled) decreased from 17% to 9%.</td>
</tr>
<tr>
<td>Introducing automated external defibrillators</td>
<td>1865 devices were installed. 62 AED deployments by non-medical personnel were recorded in 2 years. 15 patients survived in good neurological condition; 2 suffered from severe neurological deficit and 45 people died.</td>
</tr>
<tr>
<td>Introduction of Capacity Planning processes to monitor resource use and ensure that practitioner priorities are reflected in health delivery systems</td>
<td>Savings of €2.4 achieved in first round application of Capacity Planning system – allowed re-allocation of resources to areas of priority need</td>
</tr>
<tr>
<td>Adapting information technology in the provision of health care and in the allocation of resources</td>
<td>Although there are other factors influencing in pharmaceutical expenditures, since more regulation and incentives have been applied in prescription, pharmaceutical expenditures have decreased in Spain from a 23.2% of the total health expenditures in 2003 to a 20.5% in 2008</td>
</tr>
</tbody>
</table>

**Number of overnight stays in the province of Biscay, 1990-2010**

- **Overnight stays**
- **Guggenheim Museum**
Main outcomes

2. Micro level

- ServPPINs enable cooperation, interaction and networking in innovation between public and private agents and third sector organizations.

- Allow to exploit potential complementarities and synergies: credibility, dissemination, speeding up the process of agenda setting and decision making, more comprehensive view of the problems, legitimacy, resources, efficiency, flexibility, more efficient public research, learning capacity, knowledge transfer.

- ServPPINs are mainly organizational networks, professional and goal oriented combining social as well as commercial interests.

- Beyond PPP, diverse organisational arrangements exist.
Main outcomes

2. Micro level

- Four main interrelated sources for ServPPINs success:
  1. The role of promoters and drivers - both internal and external - is essential: definition and implementation of a joint business case, trust, a good entrepreneurial fit, flexible structures, use of inputs from benchmarking exercises, and pro-innovation entrepreneurship and culture. Finance also plays a role as well as the establishment of the right strategy between bottom-up or top-bottom set up.
  2. The integration of a particular individual innovation network within a wider systemic and social network;
  3. The ability to overcome or circumvent barriers in areas such as the rigidity of public administrations, the mistrust and expectations mismatch, the existence of different interests and incentive systems, the problem of free riders and asymmetric information, networking competences and, in some cases, mainly knowledge-oriented services, appropriability problems.
  4. The reduction of evolutionary inefficiencies in the course of the life cycle of ServPPINs
The nature of public and private services

Different arguments confer the nature of public to certain goods or services: their characteristics concerning rivalry and excludability, the presence of market failures and equity considerations.

The distinction between the provision and the production of public services puts the role played by the government in perspective. Even when the public sector provides public services it does not have to produce them. Private firms, non-profit organizations, voluntary associations of citizens may also be involved in the process of production.
Main outcomes

3. Micro level

Services and organizational innovation
- Services are major originators of organizational improvements
- Organizational innovation increases progressively with the size of enterprises
- Even if small firms are less engaged in organizational innovation, in relative terms, their role and impact can be higher in terms of driving innovation outputs (econometric modelling)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>50%</td>
<td>61%</td>
<td>72%</td>
</tr>
<tr>
<td>Services</td>
<td>58%</td>
<td>66%</td>
<td>75%</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>57%</td>
<td>59%</td>
<td>77%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>65%</td>
<td>78%</td>
<td>83%</td>
</tr>
<tr>
<td>Technical business services</td>
<td>66%</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

Source: CIS4, Eurostat.
Main outcomes

4. Policy level

Four broad objectives of possible policy intervention to overcome market and systemic failures and increase the contribution of ServPPINs to growth and welfare:

- **Strengthening service-specific innovation** and innovation capabilities of firms, users and other agents involved in innovation
- **Facilitating co-operation** and networks involving service and social innovation
- **Empowering the public sector** and the **third sector** for co-operation: role of civil society
- **Reinforcing social innovation**
ServPPINs and the innovation process

Organisations have to master three principal tasks in their innovation processes:

• Creating and absorbing new knowledge
• Transferring knowledge into artefacts and services
• Matching artefacts and services with market demand

ServPPINs are organisational arrangements that help to fulfil these tasks:

• They utilize complementarities and synergies between partners in the process of knowledge creation;
• They facilitate the match between technology and demand by involving consumers, NGOs, etc.
• They account for the growing complexity of many contexts and technologies
But ServPPINs can also help to reach societal impacts:

- They can translate social preferences not reflected by market prices into demand
- They can give innovation projects additional legitimacy
- They can help to make innovation more inclusive
- They account for the growing complexity of many contexts and technologies
So, why so ServPPINs not occur more frequently?

Innovation and the emergence of ServPPINs may be hampered by:

• **Market failures or allocative inefficiencies**
  – Private underinvestment in innovation because of externalities
  – Asymmetric information and incomplete credit markets
  – Market power failure due to lack of competition
  – Economies of scale/resource immobility

• **Systemic failures or evolutionary inefficiencies**
  – Capability failures
  – Sub-optimal lock-ins by implementing actors (exploitation inefficiencies)
  – Infrastructure failure
  – Lack of supportive institutions
  – Lack of actor interactions (network inefficiencies)
ServPPINs, systems and allocative failures

Some characteristics of ServPPINs make them responsible to market and systems failure in particular:

- Innovation takes place a **network**, rather than within a single organisation
  - Vulnerable to network failures
- The output of ServPPINs is often **immaterial**, intangible, difficult to describe ex ante and/or difficult to protect from being copied
  - Vulnerable to externalities due to a lack of property rights
- ServPPINs typically involve not **not only firms, but** also consumers, NGOs, public actors in the innovation process (‘co-production’)
  - Vulnerable to asymmetric information
- The role of the actors can change over the **life cycle**
- Many ServPPINs deal with **large socio-technical systems** with considerable inertia (infrastructure)
  - Vulnerable to exploitation failure and lock-ins
## EU policy response to systemic failures

<table>
<thead>
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<th>Rationale</th>
<th>Policy design</th>
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<td>Externalities / Non-Appropriability</td>
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<td>Financial measures</td>
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<td>Financial measures</td>
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<td>Providing venture capital / creating a financial market</td>
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<td>Signalling measures</td>
<td>KIS ICT Labs, Strategic Research Agenda (NESSI Platform), living labs, eBusiness support for SMEs (eBSN)</td>
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<td>Sensibilisation and demand-side support</td>
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<td>IPR (trademarks)</td>
<td>Trademarks</td>
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<td>Market power</td>
<td>(sector-related) financial measures (notably for SMEs)</td>
<td>7th FP, ICT-PSP, eBusiness support for SMEs (eBSN)</td>
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<td>Internal Market for services</td>
<td>Service Directive, competition policy in services</td>
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<td>Economies of scale / resource mobility</td>
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<td>Standardisation</td>
<td>Digital singe market, ICT standardisation,</td>
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## EU policy response to allocative failures

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<td>Capability failure</td>
<td>Education and training (new service skills)</td>
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<td>Infrastructural failure</td>
<td>Research infrastructure</td>
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<td>Sectoral support (of ICT)</td>
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<td>Supporting institutions and information dissemination on Services</td>
<td>EPISIS project, ISTAG, Business support (European Enterprise Network), Pro Inno Europe with enlarged focus on services (EIS, Inno-Policy TrendChart), Innova Sectoral Watch, EEN, CREST working group (recognition of R&amp;D in services)</td>
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<td>Institutional failure</td>
<td>Common regulatory framework in related areas</td>
<td>Internal market for services, competition policy in services, digital content / broadcast regulation, labour mobility</td>
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<td>Standardisation</td>
<td>Internal market for services, ICT standardisation</td>
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From policy rationales to policy intervention

• Services and ServPPINs contribute to growth and welfare in Europe.
• The results of the project suggest three broad areas of possible policy intervention to overcome market and systemic failures and increase the contribution of ServPPINs to growth and welfare:

  • **Strengthening service-specific innovation** and innovation capabilities of firms, users and other agents
  • **Facilitating co-operation** and networks involving service and social innovation
  • **Empowering the public sector** and the **third sector** for co-operation: the role of civil society
  • **Reinforcing social innovation**
Strengthening service-specific innovation

- Adapting innovation policies to the **needs of services**
  - There is still a ‘double bias’ in science, technology and innovation policy;
  - policy is too much focussed on manufacturing industries,
  - and on technological innovation, in particular high-technology.
  - Indication is, for example, low funding rates of services reported by CIS

- **A lack of finance** is an important barrier to network development
  - It is difficult for heterogeneous networks to mobilize the size of funding necessary for setting up an innovation activity.
  - Possibly, innovation networks are perceived as being more risky than conventional single-organisation innovation activities
  - Policy could support the emergence of ServPPINs and service innovation in general by becoming aware of the ‘double bias’ and change funding practices in favour of service innovation
Strengthening service-specific innovation

• **Standard-setting**
  – Lack of standards may be a problem in expansion of the network and in the diffusion of a service innovation.
  – Policy can facilitate the emergence of standards by standard-setting, procurement, other demand-side measures.
  – Standards are particularly important in health, transport and IT-related ServPPINs.

• ** Appropriability and exploitation problems**
  – The intangible nature of many services makes protection and the definition of property rights difficult.
  – But ServPPINs may also suffer from a lack of common interest in commercialisation (universities vs. firms).
  – Policy can raise awareness, help to regulate commercialisation at the beginning of a ServPPIN. In some areas, IPRs may be appropriate.
Facilitating co-operation and networks involving service and social innovation

• There are two fundamentally different ways for policy to influence ServPPINs,
  – either act as a member or leader of a ServPPIN,
  – or to establish conducive framework conditions and targeted support measures.

• The central problem is to bring together the partners and keep the network alive
  – Externalities in the network, some partners benefit more than others
  – Another crucial factor is trust, which is, to a considerable degree, based on experience from previous contacts. It is an important resource for reducing transaction costs in the network.

• NGOs and other agents from civil society play a major role in many cases generating a real social innovation
Facilitating co-operation and networks involving service firms

• **Network competence problems**
  – The actors do not have the right competences, cannot utilize and exploit complementarities between their competences, or are unable to absorb knowledge from external sources.

• **Changes in network composition**
  – May turn out to be difficult, because competencies get easily lost when a key partner leaves the network.
  – Discontinuities in network composition affect trust and tacit knowledge transfer, which are crucial for innovation networks.
Empowering the public sector and the Third sector for co-operation

- An **individual key actor** is often crucial for initiating a ServPPIN and driving it forward.
- This can be a private entrepreneur, a policy-maker, or a local community.
- Private and public actors complement each other in a **double leadership** in some cases.
  - This can take the form of **complementary roles** of both parties, or in a division between internal and external tasks. Double leadership can also ensure better support in their respective sectors.
  - Double leadership also points to the **social aspects** of the networks. It is often based on social factors such as personal links and prior acquaintance (‘entrepreneurial fit’).
Empowering the public sector and the Third sector for co-operation

• The pro-active role of a public or private network builder turns out to be a very important determinant of success in many cases.
  – Network builders have to hold key positions in their own organisations, which enables them to ensure long-term commitment.
  – The extent to which ‘public entrepreneurship’ can unfold is a matter of the degree of autonomy of civil servants.
  – Autonomy, in turn, depends on the organisational and political cultures in place in various countries.
Empowering the public sector and the Third sector for co-operation

- The project acknowledges that the first priority for public services is NOT to be innovative – public administration has to carry out laws
- However, the results of the project also highlight a need for change in the public sector and spur innovation in public services
  - First, give public services more autonomy when they engage in ServPPINs and introduce (private) incentives into public services
  - Second, policy should also help administrations to link to science
  - Third, introduce (private) incentives into public services for the development of ServPPINs and public-private co-operation.

- As conclusion, civil society and third sector is becoming more and more involved in public-private networks transforming service innovation into social innovation and vice-versa.
Public policy over the network life cycle

- Public sector organisations have **different roles** and different **policy instruments** in the networks
  - Network shaper, enhancer/mediator, trigger, organizer
  - Moderation and information, R&D funding, Lead user, Public procurement, Public agency and ownership

- These roles also change over the life cycle of the ServPPIN:
- In the **start-up phase**:
  - They are crucial as builders and mobilizers of innovation networks
  - They provide funding opportunities
- In **later stages**:
  - They can play a decisive role for professionalizing the ServPPIN
  - Support the emergence of a dominant design with standard-setting regulation, and procurement and other demand side instruments
Policy intervention is not necessary in all cases

• Successful networks tend to create their **own internal drivers**
  – by establishing joint visions to support commitments and mobilisation
  – or by establishing new types of internal learning mechanisms.

• PPINs in services can cease to exist for various reasons, not necessarily because they have failed;
  – Some networks have simply fulfilled their purpose at a certain point
  – Subsequent activities may be implemented in a market-based or hierarchical setting.
  – In other cases, new networks may be created on the basis of the social and professional ties that resulted from the previous network.
Wrap-up: Policy areas for ServPPINs

• **R&D policies:**
  – Joint participation of public & private partners
  – Promotion of engagement in R&D activities vs diffusion of knowledge
  – Projects for further research on services, public-private interactions, innovation networks and social innovation

• **Innovation policies**
  – Support to public-private innovative networks beyond PPP
  – Support to service innovation, clusters and innovative industrial policies

• **Public procurement**
  – Promotion of innovation and quality
  – Promotion of networking between public and private

• **Standards** in services as instruments for public-private cooperation

• **Employment and skills** for social and service innovation

• **Regional policies** for innovation

• Impacts on other policies:
  – Horizontal: internal market, competition
  – Vertical: health, transport, tourism, etc..
ServPPIN: key findings

- **Services** are essential sources for **growth** which provide **new value-added**. There are different patterns of services development across the enlarged EU, and the **variety of service economies** models are embedded in diverse **social and institutional models** in Europe.

- **Service innovation** is a way to improve both competitiveness and welfare. Europe shows both **innovation gaps and performance gaps** that cannot be addressed through the use of technological innovation only: **non-technological innovation, organisational innovation and open and social innovation** are also essential modes of innovation.
ServPPIN: key findings

- ServPPINs provide an opportunity to improve innovation in services, both economic and social innovation. Policy intervention may increase the contribution of ServPPINs to growth and welfare in the following way:
  - By strengthening service-specific innovation and innovation capabilities of firms, users and other agents.
  - By facilitating co-operation and networks involving service and social innovation.
  - By empowering the public sector and the third sector for co-operation.

- ServPPINs represent a new mode of creating innovative types of services that otherwise would not be possible in the context of New Public Management approaches that have come to dominate the public sector in recent years.
ServPPIN: key findings

- ServPPINs can be promoted through a mix of existing *R&D policies*, *innovation* policies, *public procurement*, *regional* policies, *competition* policies and *employment & skills* policies, among others. But these need to be reoriented to facilitate the creation and the growth of ServPPINs.
Recent ServPPIN publications

- Gadrey J. (2010), ‘The environmental crisis ant the economics of services: the need for revolution’, in: Gallouj and Djellal (eds), The Handbook of Innovation and Services, Edward Elgar.
Recent ServPPIN publications

Recent ServPPIN publications


• Stare, M., Jaklic, A. and Burger, A. (2010), Catching-up and determinants of services growth in new member states, Electronic book series Analize CMO / CIR Analyses, Publisher: Faculty of Social Sciences, Založba FDV.


www.servppin.com
Thanks for your attention