

Cinite, I. (2008). Services innovation: A new mandate for the 21st century. Research Report. Innovation Cultures, Intervista Institute, Inc.

Summary

Traditionally, the concept of innovation has been associated with new products. Advanced economies, however, are dominated by services rather than manufacturing. For example, in the US, services represent over 80% of the country's GDP and labour force. This article provides an overview of the services innovation landscape based on leading management literature and industry studies.

The innovation literature of the past 15 years debunks the view of service sector as laggard, labour-intensive, and technologically backward. In fact, services play an important role in knowledge creation. Their value has also been recognized in other sectors as many manufacturing firms have started providing services to complement their product offering. It must be admitted, however, that service sector is very diverse. While there are knowledge intensive services such as financial planning and consultancy, there are still services involving routine activities and requiring few skills. In this article, six existing taxonomies of services are reviewed and an attempt is made to position different service categories on a knowledge intensity continuum.

The diversity of services has implications for modes of innovation applied in this sector. The empirical evidence available so far is scarce, and the findings do not allow us to reach generalizable conclusions. Based on his substantial research, F. Gallouj came to the conclusion that different modes of innovation including incremental, radical, anticipatory, ameliorative, recombinative innovation, and formalization can occur in virtually all service industries and functions although to varying degrees. Knowledge intensive business services (KIBS) are more likely to engage in active and rigorous innovation than services lower on the knowledge intensity continuum, although there might also be pockets of innovation in low knowledge intensity services.

Innovation poses quite a few challenges in all sectors of economy, and most of the lessons learned are fully applicable also to services. No initiative has ever succeeded without a committed leadership at the senior level, and innovation is not possible without a strong culture of innovation. More important than any single innovative idea, however, is the notion of developing a systematic approach and organizational structure that enables ongoing innovation. In services innovation, human capital strategies are even more critical in order to encourage the kind of cross-functional collaboration that leads to successful outcomes and ultimately a culture of innovation. Moreover, innovation for sustainability requires a systems approach that involves new skills, tools, management processes, metrics, values and IT systems that all operate in an integrated manner.

Leaders should beware the barriers and challenges service organizations face in their innovation endeavours as well as organizational and personal risks. In any case, innovation in services is the direction the modern economy is going, and it is likely that over time, the clear distinction between manufacturing and services may gradually disappear.

