

Promoting Innovation in the Services Sector



United Nations, Geneva
March 24, 2010

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The Global Innovation Imperative

- Key Points
 - **Innovation** is Key both to Grow and Maintain a Country's Competitive Position and to Address Global Challenges
 - **Collaboration** is Essential for Innovation as Small and Large Businesses, Universities, and Research Institutes Contribute to Regional Growth and Job Creation
 - **New Institutions and New Incentives**, are increasingly important to foster innovation and collaboration

How are Leading Nations Responding to the Innovation Imperative?

- They are providing four things:
 - High-level Focus
 - Sustained Support for R&D: Leveraging Public and Private Funds
 - Support for Innovative SMEs
 - New Innovation Partnerships to bring new products and services to market
- Countries around the world are taking new policy initiatives and investing substantial resources to bring new products and services to national and global markets

What is Services Innovation?

- The development of new or improved service products
- New or improved ways of designing and producing services
- Innovation in service firms, organizations, and industries

Growing Role of Services Innovations

- Innovations increasingly occur in applications, services, and business practices, as opposed to the hardware, goods-producing side of the economy.
- These “market-facing” innovations are often complex
 - They have to be designed and managed in a way that reflects the essential differences between machines and products, on one hand, and people and services, on the other.
- In the knowledge economy, the bulk of the innovation will increasingly be “up the stack”
 - Wladawsky-Berger, IBM

Services Innovation and Public Policy

- Policymakers in Europe increasingly recognize the role of Services Innovation in the competitiveness of national firms, economic growth, and jobs
 - This has led them to consider how Services Innovation can be promoted as part of an economic development strategy
- We look forward to hearing about national policy experiences and initiatives from UK, Finland, Sweden, the Netherlands, Germany, Portugal

New Initiative in the U.S. to Measure 'Intangible' Services

- U.S. investments in intangible assets exceeds all investment in tangible property
 - This includes computer software, R&D , intellectual property, human capital, brand equity, and organizational competence
- Many intangible assets are treated in the national economic accounts as expenses rather than investments with future returns.
- If properly accounted for, it would raise measured productivity growth significantly

Source: National Academies STEP Board, Intangible Assets: Measuring and Enhancing Their Contribution to Corporate Value and Economic Growth (2009)

Measuring is not Enough

Encouraging the Creation of
Improved Services should also be
an Objective

Drivers of Services Innovation

- Regulatory Incentives: Works for Large and Small Companies
- Financial Incentives, like SBIR, can help drive innovation
 - Small Award Amounts can do the Job
- Prizes can also Drive Innovation in Services

Our Common Challenge

The Challenge for all Nations is to Adjust to the
new Globalization Dynamic

Mutual Learning and Cooperation are Essential
for our Common Future

Thank You



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