

## **EPISIS STATEMENT TO PUBLIC CONSULTATION TO THE COMPETITIVENESS AND INNOVATION FRAMEWORK PROGRAMME (CIP)**

*EPISIS is an EU-funded INNO-Net project aimed at supporting Service Innovation at policy, strategic and operational level. The EPISIS project is coordinated by Tekes (Finland) and the partners include DASTI (Denmark), PT-DLR (Germany), Vinnova (Sweden) and BIS (the UK). EPISIS belongs to the PRO INNO Europe initiative of DG Enterprise and Industry. The duration of the project is three years (2009 – 2012). More information [www.proinno-europe.eu/](http://www.proinno-europe.eu/).*

### **New innovation paradigm**

It is clear that the innovation paradigm has changed fundamentally. There is a shift away from pure technological and product innovation, which is largely dependent upon R&D expenditures, towards user-centric and network models of innovation. The new paradigm of innovation is characterized by radical changes in the R&D&I activities towards an interactive way to add value.

The new forms of innovation tend to focus on the composition of complex service systems and the possibilities of co-creation which are required to meet rising customer demands along with speed of delivery. Within these complex systems of added value, the new perspective gives services a specific relevance.

### **Europe's innovation capacity can gain a significant boost from service innovation**

Services' role in the European economy is critical and service innovation is a key source of competitive advantage. The significance of services<sup>1</sup> is highlighted, for example, by the growing share of services sector of GDP and employment, second, by the increasing significance of service innovation as a renewal of economies, third, by the significance of service innovation as solution to societal challenges and finally, by the importance of service innovation in developing a competitive advantage for European companies. There are several studies that present conclusive evidence that the growth companies of the modern Europe will be service oriented firms which are providing customers worldwide with new types of solutions and value proposals.

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<sup>1</sup> Service industries cover a wide variety of heterogeneous activities. First, it includes the traditional services sector that can be roughly divided into four categories:

- a) business services,
- b) distributive services,
- c) personal services,
- d) social services.

Second, it also covers service activities that are developed by the manufacturing companies in any industry.

Service innovation is a phenomenon that cuts horizontally the whole economy. Service innovations are performed in all industries from service sector to traditional manufacturing sectors. Therefore, service innovation's role is crucial in two wider respects. First, service innovation is a phenomenon that cuts across the economy and it is a crucial element in the sustainable growth recovery of European economy. Service innovation can create new business opportunities for companies from very different backgrounds and renew industries, networks and clusters as a whole. Locally delivered services, such as healthcare, elderly care and manual services, create both a source of employment and inclusive growth of the economy. Second, service innovation has a unique capability to create value by combining technological knowledge with intangible competences into scalable, global and competitive solutions. Such solutions will have a major role in tackling societal challenges in Europe and globally.

Service innovation is also one of the most vital concepts in developing a competitive basis for European companies. The future of service business points towards a more holistic view of the business itself. This means that we will see a shift from developing individual products and services towards providing solutions and experiences. Value creation in service experience involves more and more knowledge intensive elements, and service innovation can be seen as a way to promote the role of intangibles and knowledge based value creation. Further, this results in viewing customers as partners. Customer-centric thinking requires knowledge about the customers and their preferences. Forerunning companies search for this information proactively and define the market by delivering service innovations that satisfy the latest needs – if this is made a priority.

Therefore, to foster service innovation, it requires a broad base of cooperation and an array of new measures by which different policy makers and actors induce and speed up the development. A traditional, product based paradigm, might even be harmful here.

## **EU Commission to support services innovation**

The further development of the Competitiveness and Innovation Framework Programme can make significant advances in facilitating service innovation. It can mobilize the resources that are most relevant for services innovation. The successor to CIP would be an ideal tool for enhancing the importance of service innovations since CIP has already covered important areas of service innovations; entrepreneurship, innovation, and development of ICT. A next step would be to introduce elements to cover service innovations.

### **Suggested actions for planning a successor to CIP**

- Support the development of a 'service innovation mind-set', recognizing that service innovation is an important source of competitiveness across all industries and it is a vital element of European recovery and growth;
- Secure a shift in the balance of R&D from technology development to systemic approaches, including integration of technological and service innovation;
- Tailor support for service businesses including tools, funding criteria and practices that address the specific aspects of service innovation;
- Focus on measures and activities that enable innovative service SMEs to develop and expand their activities across European borders.

Furthermore, the role of entrepreneurship and high-growth businesses needs to be systematically taken into account. Community-level measures and the European Investment Bank's (EIB) financial instruments need to be used as a way to facilitate integrated European venture capital markets. Within the financing community, a better understanding needs to be developed on the specific requirements of innovative service businesses, for example, a more thorough understanding on intangible assets, IP issues, and barriers to internationalization of innovative service businesses.