

# Promoting Innovation in the Services Sector



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Charles W. Wessner, PhD.  
Director, Technology, Innovation, and  
Entrepreneurship  
The National Academies



# 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

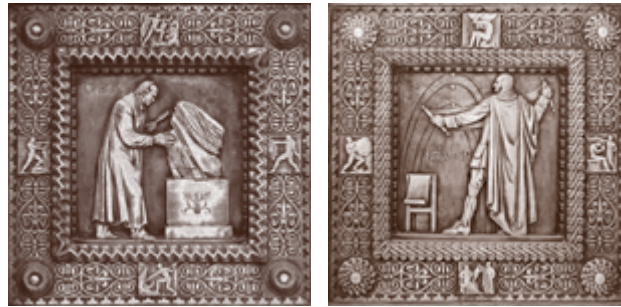
- Regulatory Incentives: Works for Large and Small Companies
- Financial Incentives, like SBIR, can help drive innovation
  - Small Award Amounts can do the Job
- Prizes can also Drive Innovation in Services

# 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



Charles W. Wessner, PhD.

Director, Program on  
Technology, Innovation and Entrepreneurship  
The U.S. National Academies

500 Fifth Street NW  
Washington, D.C. 20001

[cwessner@nas.edu](mailto:cwessner@nas.edu)

Tel: 202 334 3801

<http://www.nationalacademies.org/step>