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## Editorial

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Marja Toivonen is a PhD and is the Research Director in the Innovation Management Institute (IMI) at Helsinki University of Technology. Her research interests focus on service innovation, particularly in knowledge-intensive business services. She has published several papers and book chapters about these topics and participated in international scientific activities in these fields. Before joining IMI, she worked as the Head of the Research and Information Unit at Employment and Economic Development Centre for Helsinki region. In this work, she concentrated first on labour force issues, and later, also on future studies.

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The purpose of this Special Issue is to combine two rising topics in management research – services and innovation. Services play a dominating role in the present-day economic landscape. They are also pivotal sources of growth for production, and particularly for employment, within ‘post-industrial economies’. A growth strategy based on innovation is considered to increase the competitive advantage of firms, and to foster employment and welfare on a larger-scale. Thus, we can characterise today’s economy both as a service economy and as an innovation-driven economy.

Combining the perspectives of services and innovation has gained ground slowly. For a long time, services were regarded as secondary from the viewpoint of innovation. They were thought to be mainly consumers or imitators of innovations of manufacturing firms. Along with the ‘servicisation’ of society, this kind of argumentation has become untenable because it implies that the features which are not innovative would apply to the majority of economy. At the same time, research into innovation has resulted in a new, broader perspective about the nature of innovation: radical technological inventions are no more seen as the only types of innovations, and R&D systems not as the only way in which innovations can be created. Also, incremental and less tangible improvements are nowadays counted among innovations, and the role of both everyday business activities

as sources of innovations and market demands as their drivers have been acknowledged. While these new thoughts are important for all kinds of innovations, they are highlighted in the service context. Based on them, the capability to understand service innovation has essentially improved.

Despite the steps forward, we are still at an early stage in service innovation research. The mainstream of research into services has not applied the viewpoint of innovation, and only a few innovation studies have been interested in services. On the other hand, there are individual researchers and some research groups that have conducted ambitious efforts in combining these two perspectives. The Special Issue in hand describes the results of those efforts. We are publishing 9 papers of the nearly 30 submissions that we received on the basis of the call for papers. The papers included vary from the development of general theoretical frameworks to the analysis of empirical industry-specific examples. They cover the issues of the nature of service innovation, the issues of innovation management in service companies, and the issues of innovation policies in the service sector.

We start with a paper by Luis Rubalcaba and Jorge Gallego. This paper provides an overview of service sectors' innovation activities in the EU area, based on the Community Innovation Survey III and R&D statistics. It describes R&D expenditures and other indicators of innovative activities as well as innovation sources, results, effects, obstacles and public innovation support in the different EU countries. The above-mentioned data is compared between services and manufacturing, and in some parts also differences between service sectors are identified.

The next four papers describe innovation activities and innovation-linked issues in different types of services and in different service sectors on the basis of empirical studies. The second and third papers are written by scholars from Roskilde University, an important centre for services studies. In the second paper, Jon Sundbo examines innovation in a new group of services: knowledge services provided via the internet or mobile phones. The changing roles of service providers and customers in these types of services are discussed and an import concept of after-innovation is adopted. This concept refers to the observation that in knowledge e-services, the innovation process continues after the launch of the service in the market. The third paper, written by Lars Fuglsang, focuses on public services, namely healthcare. One of the interesting points in this paper is the application of the concept of open innovation (Chesbrough, 2003), which Fuglsang compares with three other types of innovation: entrepreneurial innovation, institutional innovation and strategic reflexivity. These innovation types are located in a four-fold model where one dimension describes the sources of innovation (external, internal) and the other dimension the forces of innovation (individuals and collectives).

The empirical material in the fourth and fifth papers has been acquired from the Knowledge-Intensive Business Services (KIBS) sector and describes two important innovation-linked issues: skills development and the protection of innovations. The fourth paper, focusing on skills, is authored by John Bryson and Peter Daniels. It is based on a large survey (1198 KIBS firms) supplemented by 208 in-depth interviews in the UK. A worrying result is that innovation in KIBS seems to be at least partly threatened by poorly developed management skills. The fifth paper, examining the protection of innovations in services, is written by Seliina Päällysaho and Jari Kuusisto and it is based on empirical material acquired from KIBS firms in the UK and Finland. The main result is the importance of informal and non-registrable mechanisms in the

protection of Intellectual Property in services. These mechanisms include rapid innovation cycle, staff motivation, secrecy, and cultivating loyalty among customers and partners.

In the next three papers, the construction of more general models of the service and of the service innovation is a central aim – even though these papers, too, use empirical examples. The authors of the sixth and seventh papers represent the so-called ‘Lille school’ (Tether, 2003), which analyses services as entities formed by specific characteristics and service innovations as changes in these characteristics. The characteristics include three types: competences mobilised, service operations (material, informational, methodological and relational operations), and use characteristics. The ‘Lille school’ is one of the first research groups pursuing a sound theoretical basis for the analysis of service innovation, the background of the school being in evolutionary economics. In the sixth paper, Faridah Djellal and Faiz Gallouj apply this framework in ‘assembled services’: complex services including a number of constituent services (e.g. hospitals and hotels). In addition to the characteristics-based framework, they identify ways in which ‘assembled services’ can be innovated through extension/reduction, intensification and combination. In the seventh paper, Camal Gallouj applies the same framework in retail services.

The eighth paper provides both theoretical and managerial contributions. The author of this paper, Marc Opitz, aims to create a general framework for the analysis of the target and process of service innovation. This basic aim is very similar to the efforts of the Lille school. The concepts and contents of the analysis, however, derive from the ideas of service marketing and service engineering instead of economic theory. Thus, the paper provides us with an alternative – more managerial – way to structure a service and a service innovation. A service (the target of innovation) is analysed in terms of 12 design elements gathered under the dimensions of potential, process, outcome and market. A service innovation process is divided into three subsystems of service creation, service development and service improvement, the first two being linked to the premarket phase and the last one to the market phase in the life-cycle of the service.

The ninth and last paper is policy-oriented, due to which it forms a good concluding section for our Special Issue. The authors are Pim den Hertog, Luis Rubalcaba and Jeroen Segers. They emphasise that services should be perceived as a systemic dimension of economic activity; they should not be assimilated with manufacturing, but they should not be ‘demarcated’ either. The differences between the assimilation, demarcation and systemic approaches are clarified by providing examples of policies typical of each of them. As practical conclusions, the inclusion of intangible elements as objects of R&D and innovation policies is suggested, and the improvement of the relationships between goods and services industries is considered important. The authors also point out that the influence of ‘non-innovation’ policies should be taken into account, besides actual R&D and innovation policies.

As a whole, the papers of this Special Issue provide an illustrative sample of the latest research issues in the field of service innovation. Two broad and several more restricted theoretical frameworks are presented, and the empirical findings cover a number of different service industries: healthcare, e-services, KIBS, retailing etc. The papers also describe different methodological approaches: case studies, interviews and surveys. As Guest Editors, we hope that this Special Issue raises growing interest in the topic of service innovation and also shows that we already have a rapid accumulation of knowledge in this field.

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