



Services Innovation

as a Catalyst for the Europe 2020 Strategy

A Joint Event of the EPISIS INNO-Net and the Europe INNOVA Annual Partnering Event

Proceedings Report

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Foreword

Several novel approaches were introduced for this year's Europe INNOVA Annual Partnering Event. Firstly, it was organised as a joint conference with EPISIS INNO-Net, on the theme of 'Services innovation as a catalyst for the Europe 2020 strategy.'

Secondly, it was the first time that the different activities that were launched over the past years in the area of services innovation, had come together. So, in addition to representatives of EPISIS INNO-Net and the Europe INNOVA Innovation Platforms, members of the Expert Panel on Services Innovation were also present.

Finally, five national experts were invited to outline their thoughts on the national role and economic impact of services innovation policies by responding to the following question **"If you had 250m Euros per year for 5 years, how would you promote services innovation?"** The new aspect of this session was that the audience was invited to vote for the most attractive proposal, and the approach outlined by Wilbert Schaap from the Dutch Agency of the Ministry of Economic Affairs, attracted the highest number of votes.

The Danish Ministry of Science, Technology and Innovation co-hosted the conference together with the EPISIS INNO-Net and the European Commission and **Charlotte Sahl-Madsen**, the Danish Minister for Science, Technology and Innovation opened the event. She highlighted the value of services innovation and stated her belief that **"Services innovation will unfold the potential of technologies."**

In a mixture of Plenary Sessions and Roundtables, the participants explored a wide range of topics. These included new trends and developments in support of services innovation, services innovation and societal challenges, new business support services and the framework conditions in which services innovation could flourish. Much of the discussion concerned the crucial issue of the contribution that services innovation might make to attaining of the goals of the Europe 2020 Strategy.

In his contribution **Reinhard Büscher**, Head of the Support for Innovation Unit at DG Enterprise and Industry, spoke about the role that services could play in transforming society and in shaping new markets and sectors. He concluded that **"Services innovation contributes in many different ways to smarter, more sustainable and more inclusive growth. This puts services innovation at the heart of the new Europe 2020 Strategy. To better support services innovation at European level, a more strategic approach is needed, based on clear policy targets and the commitment to deliver measurable results."** These words reflect the hopes and aspirations of many of the participants at this Annual Partnering Event.

This proceedings report provides an overview of the contributions that were made and of the discussions that took place in Copenhagen, either during the official sessions or during the many unofficial meetings and side events.

1. Plenary Session: New Trends and Developments in support of Services Innovation in Europe

EUObserver editor **Lisbeth Kirk** welcomed delegates and introduced the theme of services innovation. She also introduced Danish Minister for Science Technology and Innovation **Charlotte Sahl-Madsen**, and highlighted her distinguished career as an innovator in the business world. **Reinhard Büscher**, Head of DG Enterprise and Industry's Innovation Support Unit spoke on '2020 and services innovation' before **Franc Gider**, Director, Public Agency for Technology of the Republic of Slovenia, talked about Slovenia's political leadership in services innovation. **Roger Replinger**, a journalist, interviewed **Kari Kobler** a famous mountaineer and Director of Kobler & Partner, before **Anssi Rantasalo**, CEO Kempfi Ltd FINLAND, described the business case for services innovation.

Facing the Challenges at EU and Member State levels

Charlotte Sahl-Madsen outlined the need for the EU to maintain its lead in the face of an increasingly dynamic challenge from China, India and Asia, as they are in the process of transforming themselves from the factories of the world to centres for innovation and higher education. The EU had to meet this challenge by linking business and innovation and by paying special attention to these links in services innovation. She demonstrated how services innovation could provide solutions to policy challenges in health, demographic and climate change and, she said that as new technologies entered the home, even more possibilities for services innovation were being revealed. Services innovation has had tangible results in Denmark. Public sector services innovation using labour-saving technologies had saved €440m and private sector companies that cooperate in services innovation experience 15% higher productivity than those that innovate alone.

Also in Denmark, state funding promotes public-private partnerships (PPPs) to encourage cooperation in the design of projects and the sharing of their results. The EU must also improve its framework programmes to encourage PPPs through European innovation funds. The Minister concluded that it was important to develop a better understanding of services innovation. More SMEs would participate in FP8 if they could cooperate through trust and PPPs and services innovation should be central to the European Research Programme. In these ways, it will be possible to promote the smart, sustainable and inclusive growth model that places services innovation at the heart of the 2020 agenda.

Linking 2020 and Services Innovation

"Services innovation has to become the normal way of doing things across industrial and research policies," according to DG ENTR's Reinhard Büscher. He believed that innovation was not driven by technological change but knowledge intensive services were driven by entrepreneurs. Support for such entrepreneurs should be constantly improved and be based upon taking a greater share in the risks and failures needed to sustain services innovation. Thus, policy-makers had to promote emerging services, new markets and new agendas. Services innovation has been supported by the Commission but not enough has been done to ensure that the new innovation initiatives actually succeed. Some €80 bn has been ring-fenced for services innovation in the EU Structural Funds, but only 1/3 of this sum has been allocated so far². This availability of the funding must be promoted more widely. Footloose, highly innovative companies compare services provision across the EU and globally and so the challenge to providers is to rethink how they offer innovation services. Services innovation is not always a good thing and has been blamed for insecurity in financial and labour markets. Getting it onto the agenda is simply not enough, as it will take political courage and foresight to place services innovation at the heart of the 2020 vision of smart, sustainable and inclusive growth.

² http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/comm_en.htm
http://ec.europa.eu/regional_policy/innovation/index_en.htm

Learning from Experience

Franc Gider demonstrated how the political leadership that took Slovenia into the EU in 2004, and the OECD, in 2010, was maintaining the country's position on the European Innovation Scoreboard, despite the dramatic fall in economic growth over the past two years. Funding of over €340m had been delivered through politically autonomous agencies, governed by a law on research and development and coordinated by the Slovenian Development Strategy for 2006-10. The new R&D agenda for 2011-2015 will promote effectiveness and investment, better HR policies and spin-off companies. Past successes, such as greater value added in services at 63% and employment at 55%, were tempered by a focus on developing products faster and cheaper, rather than defining and exploiting niche markets in non-technical services. Companies tended to service large multinationals like BMW and did not invest enough in less prestigious activities such as services innovation and e-services. Of the 400 projects supported by the current programme, only 20% were in services and those were mainly in IT.

The programme had been too ambitious and too big with a 65 page description containing 300 goals, and too difficult to implement. With no dedicated budget or monitoring processes, levels of R&D investment remained low with more than twice as much funding coming from the public, rather than the private sector. Policies were fragmented and there were too many players with over-specialised and overlapping roles who were running lots of projects that were simply too small to deliver serious innovation.

The programme for 2011-2015 will be shorter, more realistic, have a dedicated budget and be regularly measured against goals. Instruments, implementing agencies and higher education funding will be re-organised and much greater cooperation will be promoted between business and services. Services with non-technological innovations will be promoted alongside those with technological innovations and companies will be encouraged to move out of their comfort zones and become market creators.

Reaching the Summit

Roger Repplinger, a journalist, then conducted a live interview with Kari Kobler a famous mountaineer and Director of Kobler & Partner. They reviewed an inspiring film that demonstrated how services innovation, even in the challenging environment of extreme mountaineering, could lead to success. The film and the interview showed how services innovation could develop business, distribute prosperity and increase competitiveness. Established by one person in 2000, Kobler and Partner now take 800 guests on adventurous climbs in the Himalayas and Switzerland. The company had already led eight climbs up Everest in 2010, with five of these tackling the challenging 'north col' and all eight reaching the summit.

The unique element that the company provides is a sense of well-being that enables clients to take on great challenges. The innovative way that Kobler used the highly skilled workforce of Sherpas to provide clients with the confidence and comfort to climb this highest of mountains was central to their success. The expeditions are now significant undertakings with each costing €250 000, with 25 people at base camp and with 100 yaks to carry equipment. However, they are profitable, as each person pays €25 000 and there is sufficient demand for the company to employ five people and gain an annual income of €2.5m.

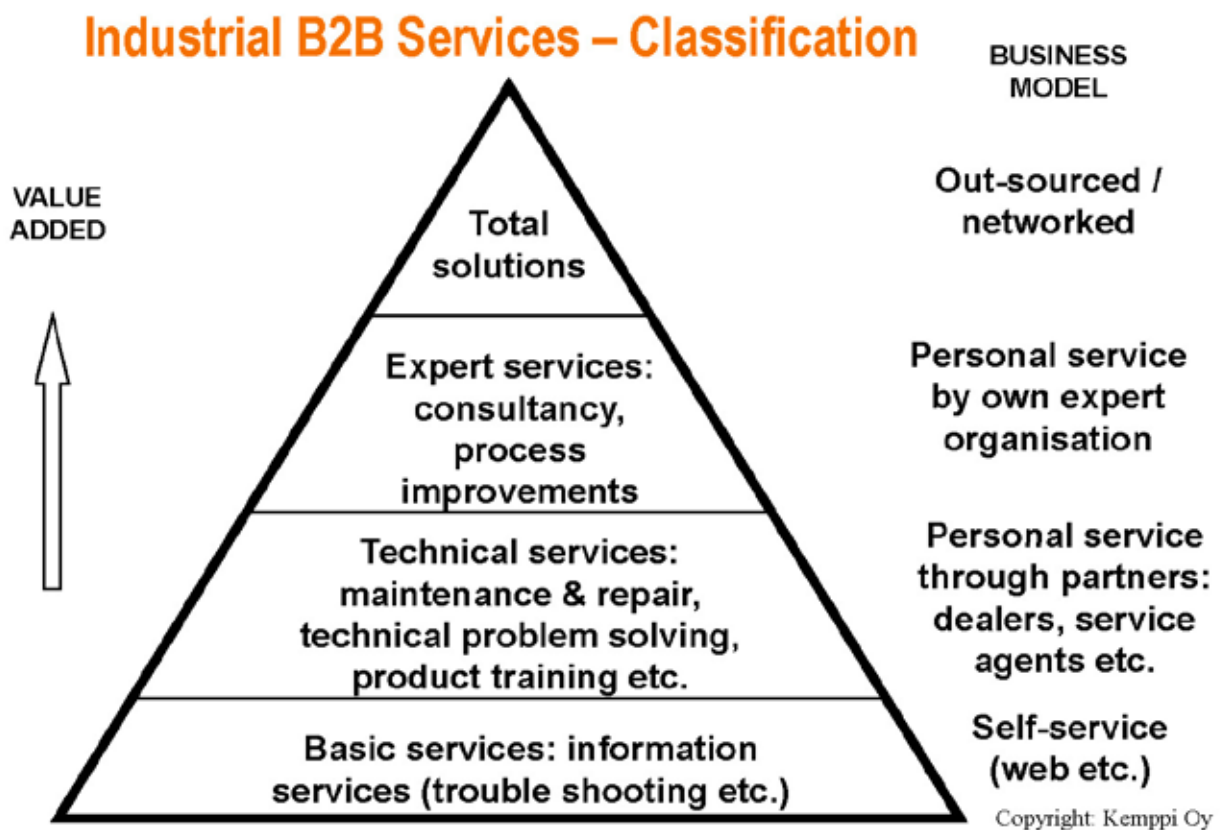
The company innovates constantly. Kari Kobler shoots films during each expedition before cutting and editing them back in Switzerland. He has now made three movies for prime-time Swiss TV and has won a number of prizes for his work. The Everest expeditions have also contributed directly to the development of new technologies used in regulators, masks, oxygen bottles, mountain boots and tents. The company's well-made and comfortable equipment has found a niche in the mass clothing market though appealing to adventurous outdoor types. Overall, the expeditions have brought work, and so life, to an otherwise remote area and passed on European skills and standards in hygiene, cooking, accounting and language to its local communities.

Transforming Favours into Income

Anssi Rantasalo explained that KEMPPI was a welding equipment company with 550 employees in 13 countries and sales in 70 countries. However, its turnover fell from €145m in 2008 to €80m. Although ostensibly a manufacturing company working in machine tools, it remains a company committed to services innovation.

The traditional way of working for a machine tool company is to provide products and add intangible products in the form of additional goods and services, which is a 'goods delivery' logic. In their current service delivery logic, the provision of services transcends this distinction to provide a unique selling point. The company offers a complete welding service including technology, skills and management, as this is what their customers now want. Just as IBM moved from manufacturing main frame computers to providing consultancy services when it bought PWC, so KEMPPI has found greater growth opportunities in business services and this has also created new businesses opportunities.

Anssi Rantasalo talked of the 'experience economy' in which industry provides services that had previously been seen as 'favours' that accompanied the supply of goods and commodities. Now these are seen as vital parts of the offer and involve the provision of expert knowledge that requires payment. It was this shift from free favours to billable expertise that was the key to the experience economy.



Slide 1: KEMPPI'S business model for industrial B2B services

KEMPPI's total solutions are provided through a network of out-sourced business services around the HumanWeld business model. Welding has been a problem for cost accounting data and management tools are also scarce. So KEMPPI developed the ARC system to feed data from digitised equipment to data warehouses and so to report on aspects like machine usage and fabrication bottle-necks.

KEMPPPI's consultancy services can then improve the management of the welding processes. Thus, HumanWeld is a production capacity service – not just equipment but personnel and equipment. The policy implication of the HumanWeld model is improved cooperation between consumers and labour and technology supply companies.

Roundtable discussion: the €250 million question

The Roundtable of distinguished policy-makers included:

- **Hans Müller Pedersen**, Deputy General of the Danish Ministry of Science and Technology and Innovation (DASTI);
- **Ursula Zahn-Elliott**, Head of Division, Federal Ministry of Education and Research, Germany;
- **Hannu Kempainen**, Executive Director, Strategy, Finnish Funding Agency for Technology Innovation (Tekes), Finland;
- **Wilbert Schaap**, Programme Coordinator Services Innovation, Ministry of Economic Affairs, the Netherlands;
- **António Bob Santos**, Deputy Coordinator for the Technological Plan in Portugal.

Each was asked *“What would you do with €2.5m over 5 years to promote the economic impact of services innovation policies?”*

The Danish Proposals

DASTI started from the assumption that knowledge had no value for business unless it was used. Thus, the first step would be to promote networks between universities, knowledge institutions and services companies and roll out the idea to other services including tourism and social services. Matchmaking seminars would be held to generate ideas and bring the competences of actors from both the public and private sectors together.

Secondly, the number of graduates in the services industries would be increased to match the industrial three-year PhD schemes that develop company core competences. DASTI already covers 1/3 of the salary costs of those academics who are developing projects within companies. This promotes innovation in services and also in governments.

Thirdly, improved statistics and monitoring indicators for the services sector would be required, especially in relation to services and technological development so that the impact could be better understood and better links could be forged between these two aspects of development.

The German Proposals

Germany has a 2020 action plan for services. However, much more needs to be known about services consumers at a public level, such as those in research and education institutions, at an enterprise level, to enable mutual learning, and at an individual level, in terms of the demand for qualifications, acceptance and awareness. A services engineering model for companies in universities would provide a new business model and new management tools. It would also promote organisational and product development processes and forge new links between research services and other fields of research. Funding priorities would be services organisation, identifying solutions to complex problems and an ideas competition for users, customers and other stakeholders.



Federal Ministry
of Education
and Research

HOW TO PROMOTE SERVICE INNOVATION

"We know hardly more about services today than people knew about iron in the Iron Age."
Evert Gummesson, (Stockholm University School of Business)

Expand knowlegde base for service innovation

➤ Public science	→	research/ education
➤ Enterprises	→	mutual learning process practice and science
➤ Individual level	→	qualification, creating acceptance, public awareness

U. Zahn-Elliott, Div. 526 Copenhagen June 2010

Slide 2: Understanding service innovation must work across many levels

The Finnish Proposals

Tekes' €600m annual budget and 360 personnel concentrate on funding and providing expert services to promote challenging R&D&I. More funding has gone to services rather than industry, especially in strategic intelligence activities for services innovation. This policy has drawn on foresight, research and evaluation to fund schemes and expert services but it also addresses regulations, tax and education. Open discussions between customers, ministries and agencies helped in promoting an understanding of the changing dynamics of innovation and in allocating resources. All national innovation actions, including Tekes programmes now have services innovation issues on their agendas. They have had to support services innovation with new and flexible public procurement processes and speedily executed pilot projects. Services innovation programmes have had to promote the practice and development of capabilities and so the extension of innovative services is an integral part of the work of Tekes and its strategic centres.

The way forward – What to do with 250 million euros?

What to do?

▪ Funding

- ↳ Existing project funding criteria should be adopted to service innovation.
- ↳ New funding instruments should be developed for public procurement and rapid piloting of innovative services.

▪ Programmes

- ↳ Dedicated programmes are needed to boost service innovations (activation, competence creation, networking).
- ↳ Developing innovative services and service innovation should be an integral part of all Tekes programmes and Strategic Centres for Science, Technology and Innovation.

▪ Customership management

- ↳ Tekes works with customers interactively. Tekes' experts should activate and help their customers to realise the full potential of innovative solutions – including service innovations.
- ↳ The main focus should be on forerunners.



Slide 3: The Finnish proposal

The Dutch Proposals

Dutch innovation programmes that develop networks are demand driven and they also promote PPP. Their funding is focused on services innovation and ICT II, logistics and the supply chain and there is also additional funding available for creative industries. A total of €10m has been invested in making the Netherlands a leader in financial innovation. The €25m of tax credits for 2010 will reduce payroll tax and social security contributions and the definition of R&D has been extended, since 2009, to accommodate services innovation and ICTs. Vouchers worth a total of €30m are being issued every year to boost SMEs' innovation capacity. They also stimulate knowledge exchange between SMEs and knowledge industries through vouchers for €2 500 for use with any knowledge institution, and link up to ten projects around a larger investment. Wilbert Schaap said he would invest €250m in more innovative programmes in health care, e-government, and e-commerce, extend tax credits and increase the amount and use of vouchers that would include paying for public and private R&D up to a maximum of €50m.



If you had 250m Euros per year for 5 years, how would you promote services innovation?"

More innovation programmes: € 100 mln

- health care
- e-government
- e-commerce

Extension of tax credits system: € 100 mln

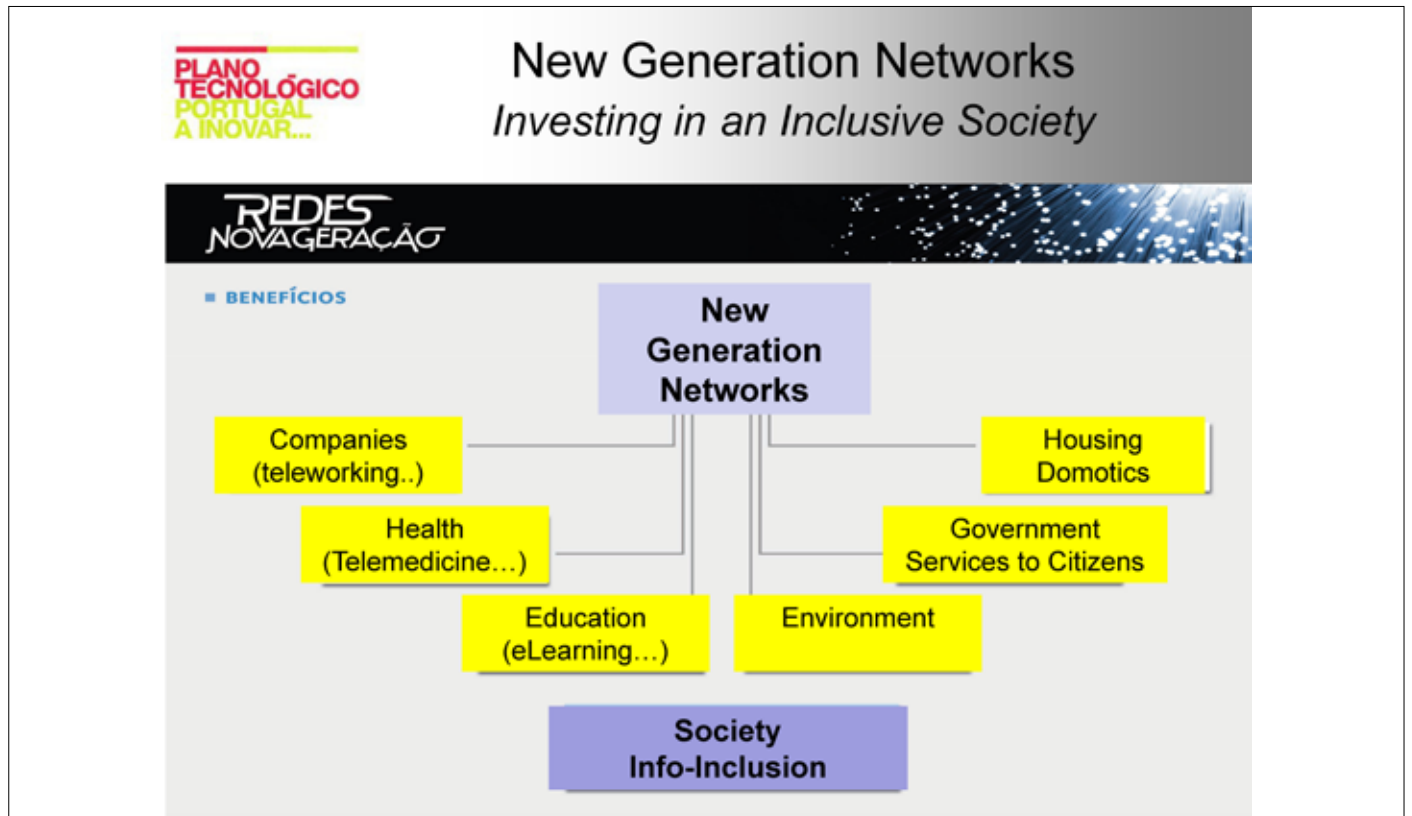
- higher percentage and higher maximum

Extension of vouchers system: € 50 mln

- larger vouchers
- more vouchers
- including public and private R&D

The Portuguese Proposals

Portugal's priorities fitted the Lisbon strategy and were designed to improve Portugal's skill base through lifelong learning. Its policies promoted innovation through the tax system and encouraged innovation through vouchers and one stop shops. Portugal now sells more technology than it imports, has made big investments in key high technology sectors such as nano-tech and has increased its RTD expenditure. All public services are now available on-line. With the €250m, Portugal would reinforce its existing programmes and promote a 'Living Lab' to help pre-market product testing in global and high tech markets. A seed capital programme for services start-ups would also help 50 new companies.



Slide 5: Portugal's strategy is to encompass all of society

And the winner wasThe Netherlands

During the discussion, it became apparent that the Dutch model was the most appealing. This was because the needs of users had been integrated into the implementation of the programmes and because it was simple. Many of the proposals also built on long-standing success stories. The use of vouchers, for example, has a good track record and the proposed amendments, such as more funds and larger bundles, could make this good practice better. Policies were simple and market sensitive and so easier to administer. The Netherlands also had clear targets for its innovation policies. These were already in place for logistics and supply chains support and were measured using ICT. The broader

aim was that the Netherlands would become the leading country for financial logistics and success would be measured against the goal of doubling revenues over the next four years. All in all, the policies seemed to be uncomplicated, sensible and pragmatic and were both attractive and understandable to the audience.

2. Parallel Sessions: Interactive Roundtables on Services Innovation and Societal Challenges

Europe is facing a number of societal challenges such as a decline in productivity, demographic changes, globalisation and pressures on employment and skills. To address these challenges, there is a need for innovative business solutions to boost growth and to create a sustainable and dynamic economy. **Tiina Tanninen-Ahonen**, Technology Director at Tekes and Chairperson of EPISIS and **Allan Mayo**, Head of the Department for Business, Innovation and Skills in the UK and Chairperson of the Expert Panel on Services Innovation in the EU, introduced the three Roundtable sessions. These sessions were designed to discuss and assess how services innovation contributes to the three growth priorities identified in the Europe 2020 Strategy, to exchange knowledge of successful services innovations and business models and to consider how Member States were addressing the various challenges confronting services innovation

2.1. Roundtable 1: Smart Growth

The Background

Roundtable 1 involved a series of lively presentations and discussions. It started with a presentation from **Hans Rijckenberg**, Managing Director, Sapience '00 B.V. from the Netherlands and a Member of the EU Expert Panel on Services Innovation, about the economy, knowledge and innovation. His talk highlighted the importance of framework conditions, finance, education, electronic infrastructure and single markets. Using the example of Rotterdam, he highlighted how economic success, through the upgrading of the largest port outside Asia, could be combined with regional renewal and redevelopment.

Case Study 1 – New Technologies enabling Body Monitoring

The first case study focused on the smart elastic patch, or the e-patch, and was presented by **Per Hartlev**, CEO of DELTA (Danish Electronics, Light and Acoustics), in Denmark. It highlighted how new technologies were enabling a more intelligent approach to body monitoring. He explained that DELTA had some 2 000 customers and that the relationships between these customers and the producers provided a series of interactions that mediated and encouraged innovation. However, in an advanced economy with sophisticated divisions of labour, the interactions are constrained by intermediaries operating in channels to market and so innovative firms have to seek closer relationships with their customers.

Per Hartlev listed a number of technological drivers towards smarter innovation. These included changes in scale through size reduction which improves performance and particularly energy use, wireless communication, 24 hour analysis, smart databases and real-time internet services. Doctors, for example, can use technology to monitor sleeping pill use, which creates data that can be used to benchmark performance in both use and treatment and also to establish a new business model. This, in turn, allows a new patient/consumer role to emerge, as patients can self-supervise their treatment. These sorts of changes help to push people towards less costly forms of healthcare. For example, each move from 24 hour care, to skilled nursing, to assisted living or to living at home, involves a ten-fold cost reduction. In addition, the generation of data for benchmarking and data mining can assist the development of new models that can transform public services.

Case Study 2 – Technology changing the Marketing/Communications Industry

The second case study from **Matt Smith**, Co-Founder and Director of Strategy at the Viral Factory in London, featured Smart Marketing Services and Innovation. He explored how technology was changing the marketing-communications industry by making it smarter, and also opening up new opportunities for more inclusive innovation by reducing the barriers to entry for innovative firms. In the current markets, 'attention' is at a premium and forces firms to innovate. Consumers can now use technology to 'answer back' and give real time responses to campaigns. In such an environment, change is constant and this makes it difficult for large firms to establish guidelines and to coordinate a responsive, fast, technical-aware, communications plan. This could give SMEs an advantage and the 'Will-it-blend' viral marketing campaign on YouTube was used to show how a very small firm had generated a 700% increase in sales, and an estimated \$80-130m in brand value in only four years. SMEs now have very cheap tools that enable them to work on their branding and monitor their marketing using on-line resources such as Google analytics. However, the danger is that novel content will be copied and, to avoid losing value, Matt Smith suggested that firms needed to invest, for instance, in 'complementary assets.'

Responses from Experts

The first response was from **Tom Togsverd**, who is a member of the Digital Europe Board, and Director General of DI ITEK, Denmark. He highlighted how smarter innovation could help close the productivity gap and involve firms that are exploiting the benefits of ICT to gain value more effectively. He also underlined the fact that new tools enable an optimisation of processes and that intelligent monitoring could be used to improve performance in a number of dimensions such as saving energy. He then explained how business models were changing and new 'total systems' firms were emerging, which sell solutions. In conclusion, he pointed to how smart tags allowed better monitoring of construction and production processes, better modelling, and a shift towards more Just-in-Time solutions.

The second response was from **Erik Borälv**, Analyst and Programme Manager at Vinnova, in Sweden. Erik Borälv pointed out that, from a policy perspective, there was arguably not enough innovation. For example, there were not very many innovation networks in healthcare, despite its importance to the Swedish economy, where it represents 10% of expenditure. He highlighted a number of constraints related to age, an incremental internal focus, difficulties in approaching innovation and the problems that healthcare workers have in exploiting their knowledge. He used examples of 'Innovation Gates' and patient-centred healthcare that allowed healthcare staff to bridge the gap between their normal routines and innovation. He also stressed the need to focus on the results and to be ambitious in innovation policy, particularly in the face of globalisation. In conclusion, he said that many global challenges are shifting innovation from top-down to bottom-up, as users and employees are increasingly becoming innovators. This raises policy questions about how to bridge gaps and whether policies should seek to strengthen existing institutions or build new ones.

Discussions and Conclusions

Members of the audience pointed to the need for better standards, better infrastructure, and better public procurement. The difference between pilots and successes was noted and it was suggested that more change and new business models might be needed, particularly in relation to improving channels to market for both hospital and users. When asked about drivers of change, they mentioned that smart content has intrinsic social capital, because it is interesting. In relation to barriers, they again stressed the need to address difficulties in rolling-out and scaling up innovations. Many people self-select into pilots, but when the pilot is over and the project is being scaled-up and rolled-out, more people have to be involved and they might actually reject the innovation. In relation to policy, they suggested that the Digital Skills Policy should include an explicit demand-pull feature, for example, through the use of vouchers for innovation.

The questions and discussion were lively and informed and covered the transformative nature of innovation, the increasingly important role of users or customers, on-line tools and real time monitoring and analysis, which can be offered as a service. The discussion also noted that whilst these ideas applied to the public sector, they might necessitate changes in the boundaries between the public and private sectors. There was agreement that new tools

such as skills and infrastructure could provide advantages for SMEs. However, the audience emphasised the need to address demand issues and the difficulties of rolling-out from pilots, which can require new channels to market and new forms of value creation and value capture.

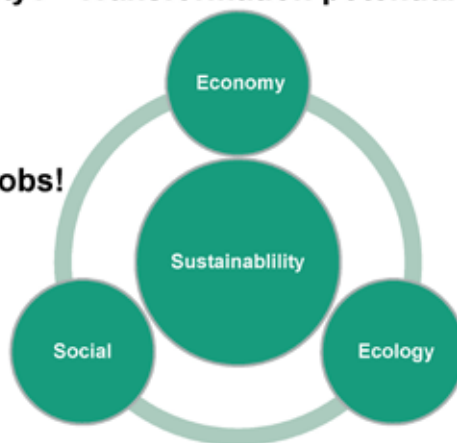
2.2. Roundtable 2: Sustainable Growth

The Background

Roundtable session 2 was opened by **Thorsten Posselt**, Director for the Fraunhofer Center for Central and Eastern Europe and a member of the European Expert Panel on Services Innovation. In the Europe 2020 strategy, sustainable growth is identified as being one of three main priorities to promote a more resource-efficient, green and competitive economy. Ensuring sustainable growth meant finding innovative and long-term solutions to climate change, solving man's need for renewable and cheap energy sources and maintaining an environment with low levels of pollution. Thorsten Posselt defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It implied economic growth together with the protection of environmental quality, with each reinforcing the other.

Why is service innovation extremely important for Sustainability? Transformation potential of services?

Why? Growth! (Qualified) Jobs!



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Slide 6: Services innovation as a key to sustainable development

Transferred to services, this means that sustainable services are services, which, throughout their production and consumption, result in a reduction of environmental risk, pollution and other negative impacts in terms of the resources used. He also identified four typologies of services:

- Traditional services made sustainable;
- Consultancy services for sustainability;
- New sustainable services; and
- Break-through services.

Case Study 1 – Addressing Customers’ Needs for Compliance

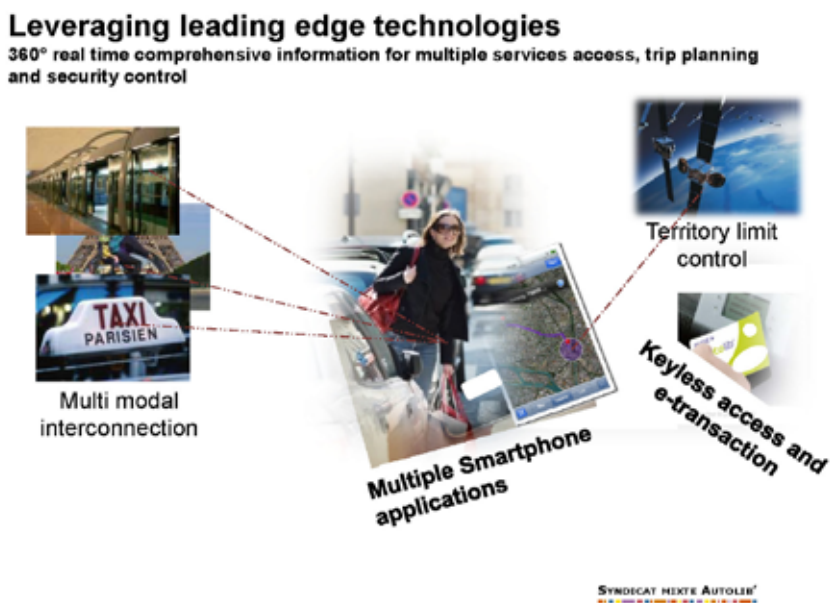
Lasse Musakka, CEO and Partner in REACHLaw Ltd, in Finland, outlined some very effective strategies for developing international service offerings in the area of the environment and sustainability. REACHLaw is a successful business that has shown rapid growth. It is a small company that has gone from 1 employee with a turnover of €25k in 2007 to 50 employees and a projected turnover of €6m, in 2010. Its client base is in 70 countries and includes 210 clients, of which only three are Finnish. REACHLaw Ltd specialises in productised services between the global industry and the new European Chemicals Agency (ECHA) in Helsinki, Finland.

REACHLaw addresses customers’ needs in both business and regulatory compliance by combining its know-how of the chemical industry, legislation and business and it operates a standardised process for substance registrations. The company’s core business offering provides customers with administrative, legal and technical support at the level that they require in terms of complying with regulations. This is made possible with the help of its network of local corporate partners, who are knowledgeable about all key global markets.

Case Study 2 – Providing cheap, accessible and eco-friendly car hire

The second case study was on Autolib that provides short-term hire of electric cars in big French cities such as Paris, Nice and Grenoble. It was introduced by **Marcelino Pera**, Project Manager of Autolib, who explained that Autolib is a PPP initiative that draws on new technological developments, particularly in the production of electric batteries. It has also involved a considerable investment, not only in the production of the vehicles, but also in the charging and replacing of the car batteries and in providing a sufficient number of locations from which the vehicles can be hired.

It was an inter-disciplinary initiative because many issues had to be resolved. For instance, the payment system had to be simple and universal; the equipment in the cars had to reflect the latest developments in information and communication technologies; and legal aspects had to be sorted out, particularly those concerning the insurance of the vehicle and its passengers. In Paris, 3 000 cars are now on the roads during this initial phase and it was expected that 4 000 – 5 000 cars would soon be available in the capital. There will also be 1 000 – 1 500 hire stations and 5 000 – 6 000 parking spaces. As part of this innovative scheme, there is a 24-hour car repair service and finally, the best news is that there are zero emissions from the cars because they are 100% electric.



Slide 7: A wide range of services innovation under 1 business

Responses from Experts

Jonas Møller, Chief Consultant at the Danish Construction Association, provided a business perspective. The Danish Construction Association is an umbrella association for about 6 000 firms within the construction and building sector. He emphasised that sustainability was a primary concern for this sector and involved energy savings and carbon reduction. Energy accounts for 80% of all greenhouse gases and buildings use approximately 40% of all the energy in the EU. It is not so much new buildings that pose problems - it is existing buildings, which represent 70% of the national capital. New, innovative solutions include replacing components in the outer walls, like windows and roofs, or replacing installations by converting to renewable energy such as solar heat, wind power, photovoltaic (PV) panels and geothermal pumps or just by making better use of daylight. For an individual user or owner, it is not always easy to decide on the right solutions and the risk of consumers making wrong decisions and wrong investments was enormous.

Bearing in mind the business perspective and the need to support businesses in developing innovative services that can promote sustainable growth, Jonas Møller pointed out a few issues. Firstly, many of the firms, which will be the winners in the future and deliver really innovative solutions, do not yet exist, whilst the losers will be many of the existing firms, which currently tend to dominate the debate. Secondly, the end-user is king. A survey carried out by the Danish Contractors Association discovered that being able to produce a sizable amount of the energy that they use was extremely attractive to 60% of all house holders. Amongst younger house holders this figure was increased to 80%. Other analyses showed that when a consumer or a community of consumers produced their own energy, they were much more motivated to be economical in its use. The consumer approach is an aspect that is often overlooked in formulating climate and energy policies but user-driven innovation is needed and consumers represent a very important resource.

Petra Thunegard Gråberg, from the Ministry of Enterprise Energy and Communications in Sweden represented the policy perspective. She explored how European policy schemes and interventions could support, for instance, sustainable transport and focused on initiatives that promote green building schemes, green entrepreneurs and new sustainable business partnerships. She emphasised how innovation in public services was necessary to maintain the competitive advantage of the EU and that policy-makers should ensure that programmes were relevant to these priorities and that services were tailored for their end-users

Discussions and Conclusions

The discussions focused on what drives the attractiveness and implementation of services innovations and the barriers to its take-up. They also identified some of the impacts and how the services examples could be used to contribute to the implementation of the Europe 2020 strategy.

Clarifying the business case was an important driver. Autolib calculated that 60% to 75% of its potential customers wanted to use its cars and 25% only wanted to hire them for a night out. The cost of hiring a car from Autolib is relatively cheap and the 100% zero emission is also a great value added for many of its customers.

Jonas Møller stressed that only 7% of the global population lives in the EU and so most of the people in the world start from other points or perspectives than Europeans. However they will need to adjust to climate change and take onboard sustainability concerns and this means that there could considerable potential for the export of services and products from the EU.

2.3. Roundtable 3: Inclusive Growth

The Background

The Moderator, **Wil Janssen**, a member of the EU Expert Panel on Services Innovation, explained that the EU 2020 policy should lead to tangible targets. These included 75% of population employed, compared to the current figure of 69%, 3% of GDP to be spent on R&D, a 20/20/20 goal for greenhouse gas and energy, an overall reduction of poverty

and a reduction in early school leaving to 10%. He felt that the inclusiveness of growth raised a lot of questions, such as how to increase skills and education, or how to support people to become part of the economy? Other questions related to where public private partnerships fit in? These questions were all related to the core question of how can services play a transformational or catalytic role in promoting inclusive growth.

Wil Janssen the outlined two potential approaches to tackling this complex topic:

- Raising regions – strengthening regions and improving employment, starting from a re-assessment of regional assets;
- Inspiring people – supporting the excluded in finding a new way of engaging in society.

The central themes in both approaches were that they are people-driven and aim to connect people and share information, knowledge and access.

Case Study 1 - Raising the Region

Sue Crossman of the Tourism Innovation Group (TiG) in Scotland, defined innovation as the successful application of new ideas where, in a rapidly changing environment, firms will only survive if they are able to maintain or increase their competitive advantage. In the case study, this definition was applied to Scottish tourism. The key objectives of the work of TiG are to develop innovation and collaboration on the part of Scottish tourism operators, and to promote the sustainable economic growth of Scottish tourism and its Tourism Framework for Change.

Sue Crossman highlighted the key factors of success in this regional approach. In her experience, the region could be raised by setting clear priorities and objectives, innovation and by developing collaboration within relevant clusters.



Innovation in tourism

- Good market intelligence and feedback
- Collaboration within a relevant cluster – by industry or geography
- Connections with other sectors.
- Leadership skills
- Human networking
- ICT adoption
- Ideas – from guests, staff, other industries.

tourism!nnovation group

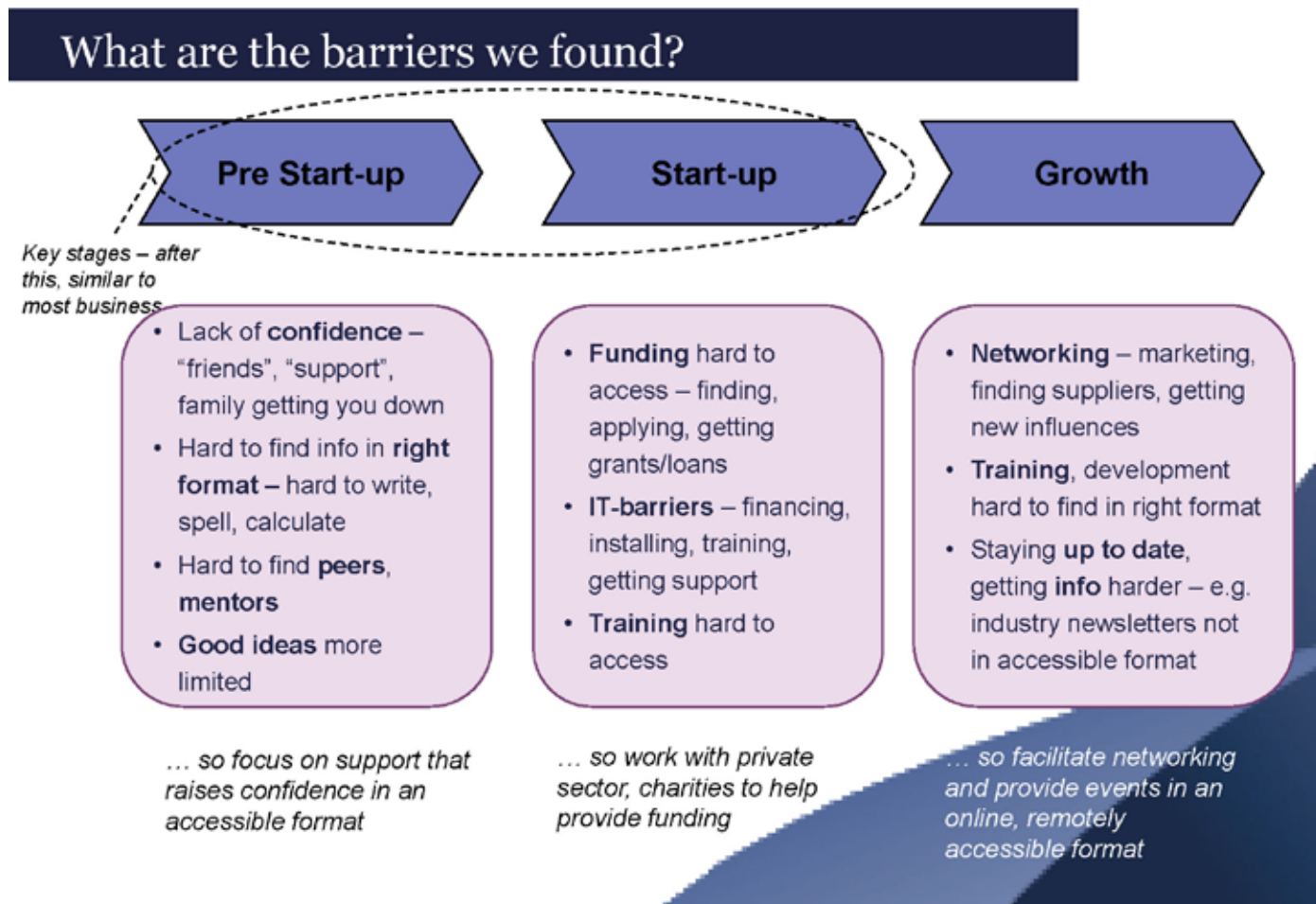
Slide 8: Key success factors for tourism

However, it takes time to build trust within clusters and several steps could be identified in this collaborative process. Initially there is the 'natural' situation of inter-firm rivalry and this is followed by the fostering of inter-firm co operation, which can eventually lead to collaborative advantage.

Case Study 2 – Inspiring People

Johan Hogsander, of Digital Public in the UK, explained how his firm had rapidly developed an integrated on-line business support service. This project was for Business Link in London and aimed to investigate how new technology could better serve potential entrepreneurs who had disabilities. He identified barriers in all three phases of business

set-up that affected entrepreneurs with disabilities and said that in each of the phases the focus must be placed on the key aspect. In the pre-start-up phase, it should be on support that raises confidence and this should be provided in an accessible format. The start-up phase requires collaboration between the private sector and charities to help people to access and gain funding. In the growth phase, it is important to facilitate networking and provide events in an on-line, remotely accessible format.



Slide 9: Business set-up barriers

Johan Hogsander also outlined an example of good practice that could serve as a benchmark for engagement. ‘Ready to Start’ was an initiative involving the Leonard Cheshire charity and Barclays Bank, which provided £3m to support a large group of entrepreneurs with disabilities. Some 1 400 individuals received funding and also advice, e-learning and information, mostly delivered by volunteers working in a sophisticated e-environment. The pilot was very successful, as it resulted in 735 start-ups and another 274 people found employment. The total cost savings were estimated at £3 500 m. Although the project was a success overall, the businesses that were set up were very small and usually with less than £10 000 turnover. In addition, they were often run by sole traders working from home.

Responses from Experts

Eurico Neves, CEO of Innova Europe, provided a business perspective and emphasised that, as far as inclusive growth was concerned, it would always be about growth in the first instance and about inclusive growth in the second. In a rapidly changing economic and social environment, Europe had to make choices and leverage its workforce to a larger extent. More and more people could not keep up with the pace of change and some simply drop out. These people have to be given a second chance to get back into the mainstream but it is also vital to maintain the 'social pillow' as a safety net for those unable to find their way back. This has implications for the legal system that in some cases will need to be adapted, for the funding mechanisms and tax incentives and for new forms of collaboration, such as PPPs.

Metka Stare, Senior Research Fellow in Faculty of Social Sciences, Ljubljana, Slovenia, explained how services innovation could contribute to inclusive growth from a policy perspective. She emphasised the critical importance of collaboration between all stakeholders and of specific life-long learning policies. She stated that knowledge and awareness related to inclusive growth were very low in those new Member States that are more focused on traditional technical innovation in manufacturing. She believed that promoting this awareness should be part of EU policy and that the benefits of inclusive growth will only become visible in the long-term because it is difficult to interest the private sector.

Discussions and Conclusions

The outcomes of the Roundtable were as follows:

1. Trends in Inclusive Growth:
 - a. 'Re-invention' of the social enterprise as a means to involve the excluded;
 - b. Increased focus on Public Private People Partnerships as a path to sustainable new business development;
 - c. From the 'social pillow' to the 'trampoline' - the social pillow will remain but not grow, but it should also include a trampoline to help people bounce back into the mainstream;
2. Drivers:
 - a. Regulatory frameworks to enable simplification, such as new forms of qualification, easier establishment of a company and reductions in red tape;
 - b. Tax incentives for new entrepreneurs;
 - c. Collaboration between stakeholders and sectors;
3. Barriers:
 - a. Lack of funding;
 - b. Lack of sustainable business models, the short term vision of support instruments and the gap between the EU and Member States;
 - c. Lack of personal confidence.

3. Plenary Session: EPISIS INNO-Net Response - Goals and Progress

The final session of the day was opened by **Anna-Maija Rautiainen**, the EPISIS Coordinator from Tekes, Finland, who introduced the project. This was followed by presentations from the other EPISIS partners about their ongoing EPISIS projects, work packages and task forces and their links to the grand societal challenges. Representatives of the partners included **Erik Borälv**, VINNOVA, Sweden; **Zrinka K. Fidermuc Maler** and **Ivika Laev** both from PT-DLR, Germany; **Miina Suutari**, Tekes, Finland; **Thomas Alslev Christensen**, DASTI, Denmark and **Allan Mayo**, BIS, UK.

EPISIS in a Nutshell

Anna-Maija Rautiainen explained that the EPISIS project aimed to support services innovation in an holistic perspective and therefore operated at three levels – the policy, strategic and operational levels. EPISIS has a non-sector specific and non-technological innovation approach to services innovation. It started on 1 September 2009 and will run for 3 years until 31 August 2012. There are five main partners: Tekes, Finland, which is the Coordinator; DASTI, Denmark; PT-DLR, Germany; VINNOVA, Sweden; and BIS, UK. Furthermore a 'European Services Innovation Think Tank' has been established which consists of the five partners and ten other organisations.

Anna-Maija described some of the main challenges in the area of services innovation. Services innovation policy is a challenge in itself, as there is a need for a common language on services innovation and for a clear services innovation policy rationale. Secondly, the main challenges related to policy are ensuring dynamic market conditions and favourable framework conditions. Finally, the challenges at business level are managing the complex nature of services innovation, the complementarities between technological and non-technological innovations, as well as the challenge of internationalisation and a need for improved skills and management capabilities.

New Forms of Support for Innovation Management

Following the general presentation of EPISIS, Erik Borälv from VINNOVA in Sweden, introduced VINNOVA's main EPISIS project that is working with 'New Forms of Support for open and user-driven Innovation Management.' There is an inadequate understanding of how to manage non-linear and market-driven innovation. However, recent developments with new channels to consumers and increasing customer expectations of greater interactivity are some of the key drivers for change. Thus, the purpose of the project is to create a basis for the development of policy tools and instruments to support innovation management at European, regional and national level and to promote non-linear and market-driven innovation. The aim is to build on current policy measures to create new forms of innovation management in the field of services. This will be enhanced by the development of evidence-based policy recommendations. He also mentioned a few areas which will be part of the project such as healthcare, construction and transport.

Knowledge Transfer and the Integration of Technology and Services

Zrinka K. Fidermuc Maler and Ivika Laev both from PT-DLR, Germany worked in two main EPISIS projects, 'Improving Knowledge Transfer and Services Innovation' and the 'Integration of Technology and Services.' Zrinka K. Fidermuc Maler introduced the first project, which seeks to provide an inter-sectoral view of knowledge transfer in services innovation, to improve this transfer at the European level and to ignite new ideas for transfer measures. Within the project, it has been agreed that 'knowledge' is a multi-faceted concept that is tacit and/or explicit, is available locally or globally and is also transferable. It encompasses 'know-what,' 'know-why,' 'know-who' and 'know-how.' The project's goal is to develop tools and measures for different stakeholders in order to improve knowledge transfer and services innovation.

Ivika Laev explained the background to the project on the 'Integration of Technology and Services.' In the project, unexploited potential was found to accelerate the innovation process, to save resources and to broaden access to the market by combining technological and services innovation policies, especially in funding activities. This is a novel policy approach, because until now technology or services innovation had been funded separately across Europe. As the boundaries between services and manufacturing are becoming blurred, the integration of services and research in technologies and other fields of development is becoming a crucial factor. Early and systematic integration of services

research with technological research and research in other areas can contribute to finding solutions to the great social challenges. The overall goal and envisaged outcome of this EPISIS project is the creation of a European Roadmap for Innovative Services that will be a manual for players at different levels in the field of technology and services in Europe.

Services Typology

Miina Suutari from Tekes, in Finland, presented the services business forerunners – their competences and capabilities. She was working in one of Tekes' main EPISIS projects on 'Services Typology'. The project had already identified that the development of European-level policies and activities to support innovation in services required a shared understanding and a common terminology of services. Currently, neither exists and the approaches used are rather limited. Most services business categories and typologies used today are primarily based on the sector-oriented statistical categories that tend to serve macro-economic needs. From the business viewpoint however, statistical categories have many limitations and the work being carried out by Tekes tries to tackle some of these. Miina Suutari indicated that the project mainly focuses on the strategic level and the final result will be a mind-map which summarises the 'pros and cons' of different approaches. This common understanding of services business terminology will be needed when developing novel tools for supporting services innovation at European, national and regional levels.

Impact Analysis and Assessment Indicators

Thomas Alslev Christensen, from DASTI in Denmark, presented the challenges faced by public agencies in making services innovation policy an accepted policy discipline in a world of economic crisis and budget cuts. He asked ***"how can we convince the finance ministries that services innovation is important for productivity, economic growth and employment?"*** He believed that the answer was to give them facts and figures that showed the results. The Danish EPISIS project will focus on impact analysis and assessment indicators. The project will look at what is known about the economic impact and other types of impact, of services innovation and services innovation policies and will attempt to answer the following questions:

- How can we create more knowledge about the impact of services innovation policies? and
- How can we spread the knowledge of the impacts of services innovation policies?

It was necessary to improve the measurement of the impact of services innovation policies and to establish a common language with regard to key performance indicators and evaluation methods. In addition, the available data is very different across countries. This was of course a work in progress, as it was very difficult to make econometric analyses of the macroeconomic or the microeconomic impacts of services innovation. Also, as much remains to be understood about the qualitative impact of service innovation, the focus will be on conducting cross-country studies and case studies on the qualitative impact of projects. However, an econometric analysis of one policy scheme for services innovation projects will be undertaken.

Reinforcing the Policy Framework

Allan Mayo from BIS in the UK presented their main EPISIS project on 'Strengthening the Policy Framework for Innovation in Services'. A key role for government is to ensure that the policy framework works consistently to provide firms and clients with an environment which is conducive to innovation. A key role for EU policy is to ensure that the environment is as open as possible across Europe. This is particularly important in new and emerging areas, where developments are uncertain but where European firms are well placed to capitalise on business opportunities, which have worldwide potential. Allan Mayo described how the project set out to analyse this issue from a business perspective in four key areas of the European economy, which are likely to develop over the next five to ten years. It will aim to share the perspectives of business and policy-makers from the three core participating partners on the drivers of change and the barriers to innovation and growth. It will also develop a policy roadmap approach to addressing gaps in the current policies at national and EU level. He ended by indicating that, as the audience could gather from the different presentations, there was still quite a lot of work to be done within the overall EPISIS project. However, it will be important to stay in tune with the reality of those working with services innovation as the project progresses, so that the project does not produce outdated results.

Summaries of the Roundtable Sessions on Services Innovation and Societal Challenges

At the end of the first day, the three Rapporteurs from the Roundtable sessions summarised the discussions and indicated the main issues to be taken forward. Each addressed aspects such as trends, drivers and barriers.

Roundtable 1 – Inclusive Growth

The first to present was the Rapporteur from the inclusive growth session, **Robbert Fisher** Managing Partner of eStrat in Luxembourg and a member of the Secretariat for the Expert Panel on Services Innovation in the EU. This Roundtable session had addressed the role of services innovation in relation to the Europe 2020 strategy. It identified that in inclusive growth, growth was the primary target and that inclusiveness was secondary but it was all about getting as many people as possible into the mainstream. In addition, a second chance strategy was needed. Because of the speed of economic developments, more people will need such a second chance.

The main story lines presented in the session had been how services innovation can support growth by connecting, sharing and being people-driven. The discussions took two themes as their starting points:

- Raising regions by strengthening regions and improving employment, starting from a re-assessment of regional assets; and
- Inspiring people – supporting the excluded in finding new ways of engaging in society.

The emerging trends in inclusive growth are the re-invention of the social enterprise as a means to involve the excluded, an increased focus on Public Private People Partnerships as a path to sustainable new business development and the move from the 'social pillow to a trampoline into the mainstream' approach. Drivers have been tax incentives for new entrepreneurs, collaboration between stakeholders and sectors and the regulatory frameworks that enable simplification, including new forms of qualification, easier establishment of a company and a reduction in red tape.

Barriers that were emphasised included the lack of funding, a lack of sustainable business models, a short term vision of support instruments and the gap between the EC and Member States. Finally, the lack of personal confidence was also mentioned as a barrier.

Roundtable 2 – Sustainable Growth

The discussion in the sustainable growth session was presented by the Rapporteur **Charles Dannreuther**, from the School of Politics and International studies at the University of Leeds in the UK. This Roundtable session had defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. For services innovation this means that sustainable services are services, which, throughout their production and consumption, result in a reduction of environmental risk, pollution and other negative impacts in terms of the resources used.

Some of the main trends identified in the presentations and discussions were those towards internationalisation, customisation and entrepreneurial behaviour in speculation on uncertain outcomes rather than predictable markets. In addition to regulatory incentives, the drivers of services innovation were seen to be strong business cases and convincing social cases, such as the French electric car sharing scheme, Autolib, that lowers car costs and has 100% zero emissions.

It was noted that the transition to carbon free was not going to be cost-free or easy. Some of the barriers were the variety of existing methods for obtaining finance, such as state and internal funding, the lack of clarity about demand and pricing mechanisms and the obstacles in new policy areas that SMEs experience. Finally, the public sector needed to reform itself to be more consumer-focused and to send out clearer signals.

Roundtable 3 - Smart Growth

Finally, the discussions in the smart growth Roundtable session were outlined by **Paul Nightingale**, Deputy Director of SPRU, at Sussex University in the UK and a member of the Secretariat for the Expert Panel on Services Innovation in the EU. In relation to the contribution of smart and intelligent services innovations to the EU 2020 Strategy, the issue of how the boundary between private and public provision may change was mentioned. Other points that were noted included:

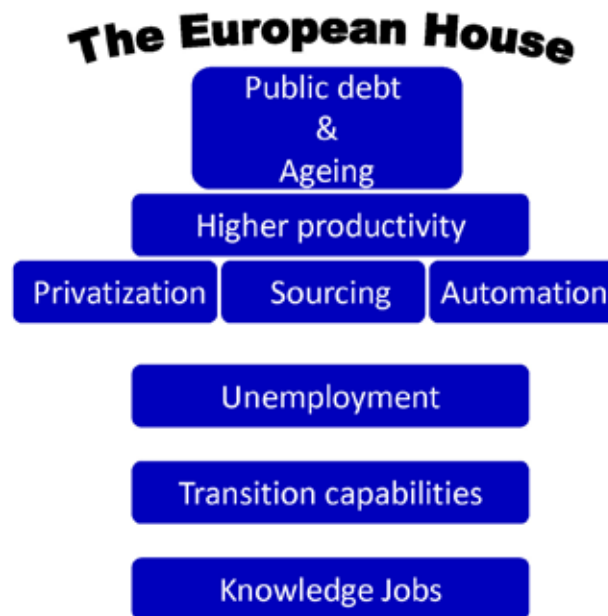
- Skills and infrastructure can provide advantages for SMEs;
- Statistics and targets were needed to justify policy, but often were not measured;
- Better engagement through the social media could be used to support innovation; and
- New channels to market enabled new value creation and new value capture and hence could lead to new transformative business models.

Some of the drivers were seen to be transformative technology (ICT) with a focus on end users and customer engagement, the popularity of social media, on-line communities and web 2.0 technologies. Additionally, new miniature wirelesses that enable remote monitoring and analysis have also driven services innovations. Some of the barriers were how to address demands, the information asymmetry, the lack of transparency, insufficient roll-out from pilots, the issues of standards and even a lack of will to innovate.

4. Plenary session: Which new Business Support Services are needed to promote Services Innovation in support of Europe 2020?

Gazing into the Future

The keynote address on 'Global trends and their impact on services innovation in the EU' was given by **Martin Kruse** from the Copenhagen Institute for Futures Studies, in Denmark. In his presentation, he drew attention to the challenges that Europe was currently facing such as the lowering of productivity, unemployment, energy shortages, the ageing population and a slowing down of economic growth, compared with global rivals such as the US, Asia and emerging economies. The interconnections between these different building blocks of competitiveness of the 'European House' are illustrated below.



Slide 10: Building blocks of the competitiveness of the 'European House'

According to Martin Kruse, some of these trends will change the competitive landscape of Europe and therefore, strong transitional capabilities will be needed. New opportunities will arise, especially within technology, which will pose challenges and also present opportunities for the EU in relation to business support services and services innovation, more generally.

The following transitions in the provision of services were foreseen:

- From one type of service to another, such as business process outsourcing;
- From services to products, such as automated services;
- From products to services, such as personalised support services.

Business support services, in particular, could enable higher productivity in this context. The EU will need to embrace these new opportunities, whilst at the same time balancing its adjustment to more efficient production with the maintenance of high levels of employment. Thus, flexibility will be the key. Martin Kruse's address was followed by five different perspectives on support for services innovation.

Testing Tools and Products

Firstly **Andrea Di Anselmo**, Vice President of META Group, in Italy, presented TAKE IT UP, which is a testing facility for Europe INNOVA partnerships. Testing is an integral element in the development of new tools and services, as it offers direct feedback from potential consumers that can improve the usability and applicability of these tools and services. The TAKE IT UP project has developed a package for Europe INNOVA partnerships to help them test their innovation support tools and services. The overall aim is to develop better innovation support services throughout Europe and the support package comprises:

- A testing handbook that includes methodological guidelines for conducting the testing exercise complemented by a testing toolkit with questionnaires, checklists and a sampling calculator;
- Coaching services to assist the partnerships in designing, implementing and evaluating the test results;
- A testing community with access to test-beds that are groups of innovation intermediaries willing to use the tools and services that are being developed.

To design and conduct novel services testing properly, the partnerships should be aware of:

- How testing contributes to the different stages of the novel product or services life cycle;
- The techniques to be used;
- How to design the testing exercise; and
- How to collect the necessary information and analyse the results.

Networking and Collaboration

The second perspective was provided by **Gianfranco Ruta**, Coordinator of the EEN Services and Retail Sector Group, representing Confcommercio, in Italy. He explained that Enterprise Europe Network (EEN) provides a wide range of services for SMEs and its Sector Groups collect experts from 17 key European sectors to organise technology transfer and research collaboration through brokerage events for SMEs. The newly established Sector Group for Services and Retail is providing a door into the European Commission for SMEs, focusing on the two important topics of the Services Directive and Innovation in Services.

The European Services Directive is an innovation driver for the whole European services sector. There are different paths of innovation in services such as linking technology and customers and business models, in which local and regional clusters and SME business networks play an important role. Innovation in services promotes new approaches and practices in Europe.

Fostering Development and Growth

The third perspective was offered by **Hilde van der Meer**, Managing Director of Amsterdam in Business, in the Netherlands. Her presentation focused on creative industries, building on the experience of 'Amsterdam TopStad'. This is an example of a regional services provision platform that keeps ahead of competition through cooperation with the innovative services sector.

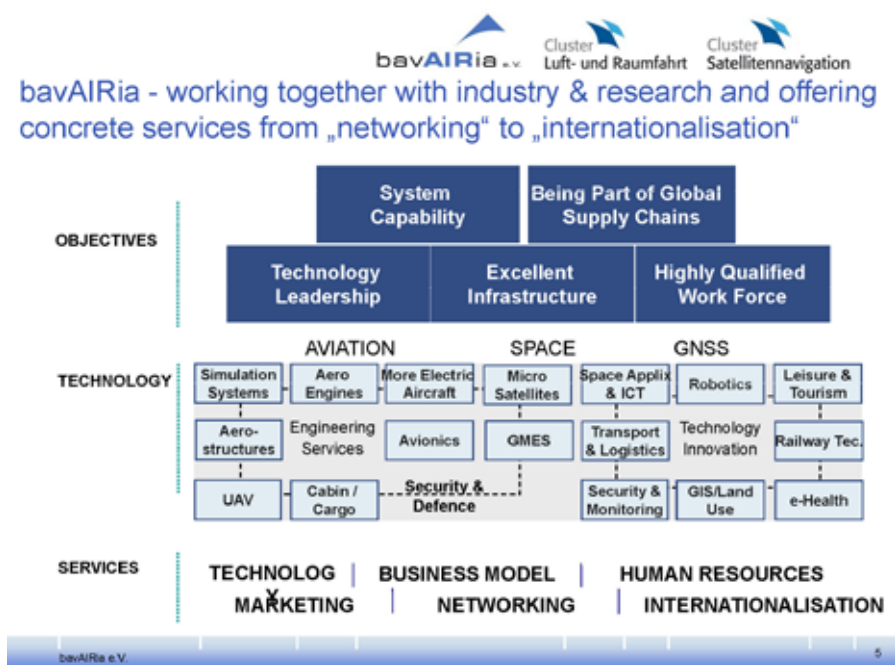
The economy has become much more global over the past 20 years and Amsterdam Metropolitan Area has received its fair share of the headquarters, marketing and sales offices, logistics and service centres of international enterprises. Along with the establishment of international companies, the business support services industry has grown as a network around Amsterdam. These services operate on a global level and keep on top of market needs through continuous innovation. Amsterdam facilitates this growth by several projects that enhance the local investment

climate, such as the Airport City, and enables the services sectors to further strengthen their position. With this support and the continuous development of creative and 'quality of life' projects, Amsterdam tries to 'go with the flow' and profit from it.

Preserving and intensifying Global Competitiveness

The fourth perspective was presented by **Sven Brunsmann**, Senior Project Manager of bavAIRia e.V. in Germany. He focused on Satellite-enabled services, and the Bavarian Aerospace and Satellite Navigation Clusters in particular. There are currently some 550 enterprises and around 55 000 employees operating in the Bavarian Aerospace and SatNav cluster, and almost the whole of the value chain of these industries is located in the surrounding region.

His organisation, bavAIRia e.V., is mandated by the Bavarian State Government to manage these clusters, with the objectives of pinpointing expertise in aviation, aerospace and satellite navigation, of strengthening the connections between specialists and, thus, of preserving and intensifying the global competitiveness of the three branches.



Slide 11: Bavarian cluster collaboration areas with industry and research organisations

Since innovation in the Aerospace and Satellite Navigation requires technology, bavAIRia has initiated a considerable number of R&D projects. For example, the Bavarian GNSS user fora bring together actors from the different stages of the value chain and have produced a number of creative ideas and projects. Participation in European Commission funded projects has fostered European networks and increased regional cooperation. Thus, internationalisation is certainly a field in which bavAIRia has supported its companies.

Spotlighting the Role of SMEs

Finally, **Ben Butters**, Director of European Affairs at EuroChambres emphasised the business perspective on innovation, highlighting the key elements that enable services innovation among SMEs. Innovative services in companies were growing and becoming an important form of innovation. They had an important role to play in the transition to a low-carbon economy and were driven by new developments in ICT, the importance of Corporate Social Responsibility for businesses and the increasing awareness and power of customers.

Services innovation underlines the importance of non-technological innovation in the economy and this is especially important for SMEs. Increasingly, firms do not consider themselves to be either 'services' or 'manufacturing' but as a provider of solutions for customers that involve a combination of both products and services. For SMEs, innovation requires leadership, the ability to identify customers' needs and a motivated, risk-taking management and workforces that are adaptable and can 'think outside the box.'



Innovation policy tick list

- ✓ Demand driven
- ✓ Small, bottom up policy measures
- ✓ Innovative attitude from all of innovation community
- ✓ Big vision ok, but keep it real and tangible
- ✓ Take risks
- ✓ Think small first
- ✓ Unleash full potential of EU's services sector

ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY

Slide 12: Guidelines for SME friendly innovation policy approach

Ben Butters believed that governments have an important role to play as regulators that facilitate and support innovation. This can take the form of coordinated interventions in markets, business support services and access to finance for young innovative enterprises. These policies should, however, take proper account of the specific needs of SMEs in developing services innovation.

5. Parallel Sessions: The Framework Conditions for Services Innovation to flourish

Thomas Alslev Christensen, from DASTI looked at how policies could promote services innovation and emphasised the need for evidence of the impact of such policies. He believed that it was necessary to monitor the activity of companies in order to be able to understand the degree of innovation in enterprises, the sectors they come from and the types of businesses they are. He provided an example of such monitoring. Some Danish enterprises participating in DASTI's support schemes were compared with a control group of companies that were not involved in such schemes but had similar characteristics to the other enterprises when enrolled in the support scheme. The main outcome

was that there was a significant gross profit gain, after two years, by the companies receiving support. In this study, the evidence of the need for support, and the need to monitor and promote the impact of such support was made obvious.

The conclusion that 'policy matters' opened the door to three Roundtable sessions on *“What are the framework conditions required for services innovation to flourish?”* The audience split into three groups to review support services in the field of eco-innovation, cluster initiatives and new forms of financing innovation in services. Each Roundtable was able to focus on the concrete aspects of its sector, its potential and its constraints and the general impact of services innovation.

5.1. Roundtable 1: Business Support - New Support Services being developed in the Field of Eco-innovation

Background

Greening the European economy, making it more energy-efficient and decoupling its growth from resource consumption are some of Europe's priorities. Eco-innovation is one way of addressing these challenges. It includes any new production processes, new products or services and new management and business methods that reduce the environmental impact of a company. It covers a wide range of activities and of economic players and, thus, requires a large range of skills and stakeholders. Its complexity has sometimes led to a lack of knowledge and understanding and the lack of information is a barrier to environmental innovation. This makes it difficult for enterprises wishing to acquire green services, and for SMEs in particular, to make educated decisions about what they might do.

The Roundtable focused on the support needed by eco-innovative services to develop and also to reach European enterprises and SMEs. The Moderator of the session, **Fabio Iraldo**, Associate Professor of Management and Innovation in Sant'Anna School of Advanced Studies, in Pisa, Italy, stressed the high level of technical knowledge required by a service provider in this field. The early stages of clean solutions, as well as the numerous ways of reducing an enterprise's environmental impact, often made it difficult for an entrepreneur to choose the right direction to take. Furthermore, eco-innovation was often unrelated to the core business of a company and therefore was not always seen as a priority. However this could also favour the development of eco-innovative services. Because these services are not built upon a company's core activity, competition is not a barrier and cooperation can be fostered between stakeholders.

The session then looked at the concepts behind eco-innovative services. **Asel Doranova**, from the Technopolis Group Belgium, was involved in the eco-innovation observatory (EIO), and insisted that the eco-innovation definition should remain as open and inclusive as possible. As there was a will to enhance and to maintain the quality of life whilst remaining sustainable, it was necessary to look at the whole life-cycle of products and look for eco-innovation solutions for technologies and also services or business models. The approach must consider all possible options to bring about change. Taking the example of books, she asked *“if we consider reading as a service, but books as resource-consuming what is the best way to proceed? By using e-books, or sharing books through libraries, or having audio books?”* She pointed out that the importance was not to make an immediate reply but to consider all options, bearing in mind when choosing the less resource-demanding option that services often came together in products.

Case Study 1 – The KIS-PIMS Partnership

The first case study was presented by **Timo Määttä** Head of Unit, Renewable Energy in MOTIVA, Finland and a member of the Europe INNOVA KIS-PIMS partnership. He concentrated on Knowledge Intensive Services in the Planning, Installation, Maintenance and Scrap services (PIMS) for renewable energy (RE) production systems. He explained that KIS-PIMS had been testing different funding schemes in the services sector that were involved in renewable energy. The main objective was to provide SMEs with funding, as early as possible in the innovation process. One of the observations, which he made, was that the concept of services still requires to be explained to many companies. The partnership also identifies enterprises' needs for services and offers training to innovation consultants in the field of renewable energies. The first round of calls showed that SMEs appreciated the voucher schemes and that the establishing of services in RE seems to come together with an overall re-think of a company's processes and thus, entails technical development.

Partnerships for better innovation support

EUROPE INNOVA
Innovation in Services
KIS-PIMS

Intermediate conclusions

- The concept of services innovation still requires explanations
- Several approaches tested lead to the conclusion that direct contact is the most effective
- The voucher scheme looks much appreciated by SMEs
- Services in RE sector are trailing the technology development
- Economic recession may have made companies more cautious

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Slide 13: Intermediate conclusions of the KIS-PIMS after 1st round of calls

Members of the audience asked questions about the characteristics of the vouchers. Timo Määttä explained that they were mainly used to obtain further funding, or to acquire consultancy services that could help identify funding opportunities. It was noted that the value of the vouchers varied a lot depending on the country concerned and that this had a direct impact on the type of services purchased, which ranged from pre-consultancy studies to operational implementation services.

Case Study 2 – The EcoClup Partnership

Stephan Skare Nielsen, Business Development Manager of Cleantech in Denmark, presented the second case study on the Europe INNOVA Eco-innovation Cluster Partnership for Internationalisation and Growth or EcoClup, for short. This cluster aimed to enhance cluster cooperation within the eco-innovation sector throughout Europe. The partnership's objectives were to facilitate cooperation between its members, which takes account of the funding challenge, the need for companies to find partners for the development of complex technologies and their need to internationalise. EcoClup has developed a tool-box on internationalisation and has also focused on adapting existing tools for use in the eco-innovation sector. These include an assessment of the risks of innovation projects, a matchmaking methodology and coaching in finding investors or routes to commercialise R&D projects. The partnership has also carried out an impact assessment of its activities at both company and cluster levels that considered the direct, indirect and potential impact of its activities.

Partnerships for better innovation support

EUROPE INNOVA Cluster Cooperation EcoClup

Impact assessment

- **Company level**
 - Reach out to +1000 companies
 - +500 Matchmaking meetings
 - Joint research cooperation involving 21 research institutions
- **Cluster level**
 - Cluster manager certification / 13 managers
 - Exchange program and knowledge-sharing
 - Dissemination of adapted services to +20 clusters

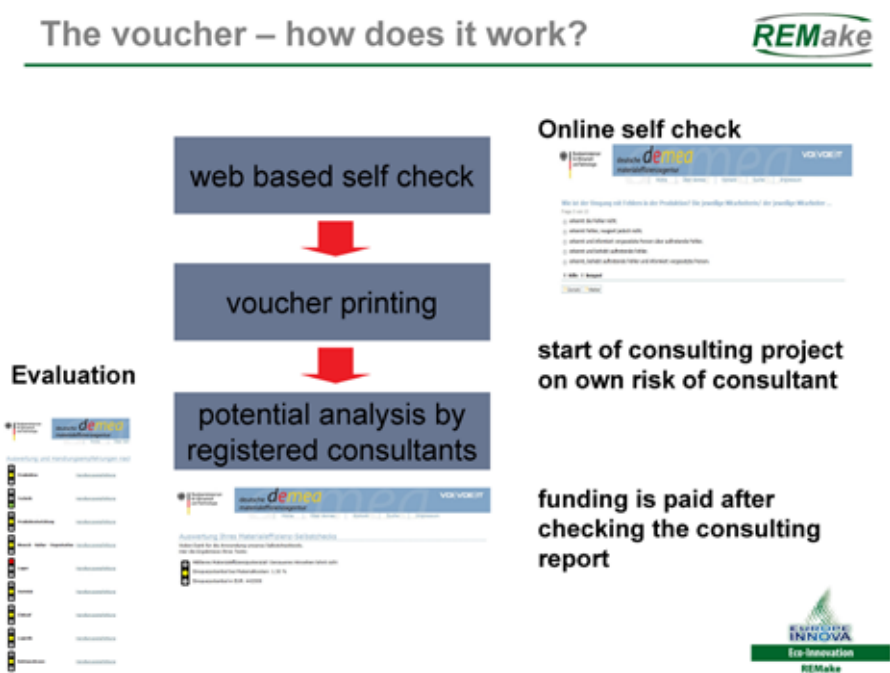
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Slide 14: EcoClup's impact assessment after 9 months

Case Study 3 – The REMake Partnership

The third and final case study was on the ‘Europe INNOVA Recycling and Resource Efficiency driving innovation in European Manufacturing SMEs’ partnership or REMake. This partnership aims to develop a new approach to the use of vouchers in the field of eco-innovation. The case was presented by **Klaus Teichmann**, Managing Director of i.con. innovation GmbH, in Germany. REMake operates in five countries and the scheme was designed to make it as easy as possible for SMEs to acquire and use the vouchers. The application involves an on-line self-check and, in terms of the consultants that SMEs choose to use, it is the agency that pays the consultants directly. The vouchers enable SMEs to purchase services without the need for lots of administrative details and reporting procedures. The individual chosen by the SME from REMake’s registered consultants takes care of both of these aspects. The results of REMake’s consultancy have shown an average potential increase in turnover of 2.5%



Slide 15: REMake’s voucher: facilitating access for SMEs

Discussions and Conclusions

The discussion on eco-innovation hinged around the synergies between existing measures and tools and on whether there were specific differences in the needs of eco-innovation clusters, as compared to ‘traditional’ innovation clusters. The conclusion was that many companies may not see themselves as eco-innovative and would benefit from resource sharing and experience sharing, as well as those collective services, which clusters can offer. Another aspect of the discussions dealt with the selection and role of the registered consultants, as eco-innovation is a cross-cutting issue and requires many different skills. Klaus Teichmann indicated that REMake is considering building teams of consultants to ensure that the all relevant competences were available to companies.

The Roundtable concluded that thematic vouchers enabled tailored services to be provided to companies whilst also making it easier to assess their results and measure SMEs’ interest. The need to focus on the impact that such services brought was shared by all participants, who also stressed the role that public institutions can play in modifying the framework systems in which SMEs develop and grow.

5.2. Roundtable 2: Business Environment - Cluster Initiatives and what Services can be provided by them

Background

The business environment in which firms operate is crucial to their competitiveness and thus, is fundamental to the achievement of the smart, sustainable and inclusive growth set out in the EU 2020 strategy. The business environment refers to the underlying factors present in a territory that support firms' activities. These include human capital, financial/risk capital, institutions, demand sophistication, social capital, sophistication of co-operative networks, infrastructure and connectivity. These factors combine in different ways to support the capacity of firms to be efficient and to innovate, but there are significant gaps in the understanding of their impacts on different sectors. Therefore, there is a need to clarify what constitutes a 'good' business environment and how cluster initiatives can contribute to strengthen business environments.

The Moderator of the Roundtable was **Jørgen Rosted**, Director of FORA, the Danish Agency for Enterprise and Construction, which has had considerable experience of research in areas of user-driven innovation and the mapping of regional and national clusters. The Roundtable began with a general presentation of the European Cluster Observatory, which is a flexible on-line cluster mapping tool. **James R. Wilson**, Senior Researcher at Orkestra, the Basque Institute of Competitiveness and University of Deusto, presented the next phase of the cluster observatory, which is illustrated in the following diagram. The knowledge platform depicted in green and the collaboration platform depicted in red are the main services provided by the European Cluster Observatory. The knowledge platform was designed to respond to the needs of policy-makers, whilst the collaboration platform was designed to respond to more business-driven needs.



Slide 16: The structure of the European Cluster Observatory

The cluster observatory provides three types of information and analyses:

- A synthetic summary indicator of the overall business environment quality at regional level;
- A calibration of the relative impact of different aspects of competitiveness, such as business environments and clusters, on economic outcomes across European regions;
- A nuanced profile of competitiveness, strengths and weaknesses in business environment quality and cluster presence in individual regions.

Case Study 1 - The Estonian ICT Cluster Programme

This programme was described by **Pille-Liis Kello**, Director of Enterprise Capability Division at Enterprise Estonia. She reported on the impact, which had been achieved through the cluster development programme, including several ICT services that had been created in the public sector. These services were related to e-voting, which is voting over the internet, improving communication between schools and homes and making electronic tax declarations.

Pille-Liis Kello emphasised that cluster policies and cluster programmes were needed to strengthen confidence and collaboration between firms, as well as to help them to see beyond the short-term opportunities and to compete in the global market. In addition, two calls for preliminary applications for cluster grants and one call for full applications have been launched. The calls received a very high number of applications in the most popular fields, such as tourism and the wood and furniture industries, ICT and biotechnology. She believed that a common understanding between different policy actors and learning from the experience of other countries were vital to the design of cluster policy.

Case Study 2 - The ABCEurope Project

Mara Tumiati, Project Manager of Innovhub at the Milan Chamber of Commerce then presented the ABCEurope project, which fosters transnational cooperation between life-science clusters. The aim of the project is to develop and improve support for innovative SMEs in this field and to strengthen their competitiveness. The project reinforces the links between research, entrepreneurship and finance in supporting biotech companies and also extends the international dimension of biotech cluster cooperation within Europe and across the globe.

Partnerships for better innovation support

Cluster Cooperation ABCEurope

Five main lines of action

- Promotion of internationalisation of biotech SMEs – voucher scheme, partnerships
- Creation of a portfolio of support services – bootcamps, tech showcases, non-executive directors database
- Intellectual Property Right support – recommendations for IPR model agreements, training on IPR protection
- Europe-wide access to research infrastructures – exploitation of joint research capabilities, access to research facilities across Europe
- Development of a mutual cluster Ambassador Scheme – replication of MVA's Ambassador Programme across Europe

European Commission Enterprise and Industry

Slide 17: The five main lines of action in the ABCEurope project

Case Study 3 - A Cluster Ambassador Scheme

One of the five main lines of action of ABCEurope, has been the development of a mutual cluster ambassador scheme, and this topic was introduced by **Charlotte Ahlgren**, Executive Vice President of the Medicon Valley Alliance. The Life-Science Ambassador Programme is run by Medicon Valley Alliance. It provides businesses and organisations with a unique opportunity to find partners, collaborators, investors and sponsors.

The programme is committed to enhancing the competitiveness and the international recognition of network partners through international win-win relationships and partnerships. The programme also offers an opportunity to exchange ambassadors between clusters and, therefore, to achieve a deeper understanding of clusters around the world. The focus for the further development of the Ambassador Programme is to promote the inclusion of European clusters and to link cluster organisations into the on-going programme. In addition, the concept of an Ambassador Programme will be further developed within a more European context.

Case Study 4 – The South West Design Forum

The last presentation in the Roundtable was made by **Roger Proctor**, Managing Director of Proctor and Stevenson Ltd. He spoke about the South West Design Forum, a cluster that had been created by the design industry in South West of England. The South West Design Forum brings together seven sub-regional design groups to promote and support the design industry and ensure its continued growth and development.

The design cluster was needed to support growth and success, to inspire innovation and entrepreneurship and to exchange knowledge. The cluster has already produced a Sector Development Plan and a Training Needs Analysis and has held several local Design Weeks. To promote the region, the cluster also created the South West Design Media Innovation Awards and is planning to host regional, national and international events.

Roger Proctor recognised that public sector procurement could be a problem for the design sector. He felt that the industry itself needed to be trusted and also advocated more decentralised and shared solutions and programmes between the cluster initiatives.

Discussions and Conclusions

After the presentations, the speakers answered questions raised by the audience. The interest from the audience was mainly focused on cluster indicators and the services that were required from the European Cluster Observatory.

In terms of conclusions it was accepted that in looking at regional framework conditions, assessing the drivers of competitiveness was a challenging task. The business environment was a major driving force for companies and this environment could be enhanced by the knowledge gathered by clusters. The importance of this knowledge transfer and learning was reinforced by Roger Proctor.

The Roundtable believed that different environmental factors were important for different clusters and, thus, that there was not necessarily any coherence in the needs of clusters. An example was provided by James Wilson who compared the factors which were important in the creative industries to those that were important in the life-science sector.

In addition, the variation in regional industrial structures implied that there were potential benefits to be gained from an understanding of which factors in the business environment were especially important for which clusters. Cluster policy should also be sensitive to companies' needs as well as to the shift from fragmented services to more unified services.

Reinhard Büscher, Head of Support for Innovation Unit at DG Enterprise and Industry of European Commission, told the participants about the impending call for proposals for the further development of the European Cluster Observatory. The functions of the observatory will be re-aligned and, in the future, it will be focused on policy learning as well as on analysing the frameworks conditions in different sectors and the mapping of clusters. This modification should also help policy-makers in Europe to prepare more evidence-based cluster policies.

5.3. Roundtable 3: New forms of financing Innovation in Services

Background

The Moderator of the Roundtable was **William Stevens** from KIS PLATFORM and the CEO and Founder of Europe Unlimited, in Belgium. In his introduction, he emphasised that services should not simply be considered in the specific service sectors, as every company and all sectors have an in-built services component.

A number of pre-defined questions were addressed to the Roundtable, namely:

- Is there a financing gap between traditional industrial sectors and services?
- Does the financing of services innovation require a different approach?
- Is the current financial downturn affecting services innovation financing?
- Is there a sufficient demand and readiness for financing services innovation?
- What can be done at the national and regional levels to boost the financing services innovation?

The kick-off address was given by **Philippe Kern**, Founder and Managing director of KEA European Affairs, in Belgium. He stressed the important role that public intervention plays in the creative sectors, particularly in providing financing.

These experiences were likely to be relevant to innovative services businesses in general. However, there were specific problems that creative businesses face when seeking financing for innovation, namely:

- Lack of ability to sell creative projects and investor readiness;
- High failure rates in creative projects, due to strong creativity and innovation;
- Insufficiently tangible assets;
- Assessment of the value of IPR rights is difficult and often subjective;
- Lack of available dedicated risk capital;
- Lack of awareness and understanding between the financing and creative sectors;
- Lack of communication and contacts;
- Fragmented markets and highly culture-specific needs;

Because of all the above reasons, investing in creative businesses was often more about investing in people and talent.

Case Study 1 – KIS4SAT

The first case study, on KIS4SAT was presented by **Robert Sanders**, Head of European Projects at EBN in Belgium, and focused on the challenges and solutions related to pitching KIS companies to investors. According to KIS4SAT's experiences, investments in space projects were seen as being risky, long-term and requiring significant amounts of money. For these reasons, a clear distinction must be made between upstream and downstream space applications. There are also a number of specific characteristics of satellite applications, which makes the market difficult for investment, such as the dominant role of large companies, the early development of international partnerships and business models that are often difficult for financiers to understand.

Partnerships for better innovation support

EUROPE INNOVA
Innovation in Services
KIS4SAT

Space Community

- Culture
- Business Acumen
- Business Models
- Complexity
- Budget Overruns & Delays
- Setup: Structure & Processes
- Some Financing Schemes
- Policy Backing
- Missing Links With VCs
- Market Prospects
- Few Success Stories
- But Excellent Opportunities

Investment Community

- Other Opportunities
- Technology Access
- Familiarity with Space
- Acceptance
- IPRs
- Management
- Timeframe & Exit
- Benchmarks
- Partly Superior Returns
- Commitments
- Risks
- Transparency
- Best Practices

European Commission
Enterprise and Industry

Slide 18: The cultural differences between Space Community and Investment Community

Case Study 2 - ACHIEVE MORE

Another example was given by **David Moir**, Projects Manager at St. John's Innovation Centre in the UK, who shared the experiences of ACHIEVE MORE, which was a project working on new forms of financing innovation in services. In this project's experience, services innovation is often focused on processes and systems, which makes it difficult to scale up. There were often less intellectual properties to protect and financiers found it difficult to assess the businesses and their innovations.


ACHIEVE MORE had studied two Venture Funds, which specifically addressed the needs of innovative services businesses connected to universities. These were the KTH Chalmers Innovation Seed Fund, in Sweden, and the Mainport Innovation Fund at the TU Delft in the Netherlands. The lessons gained from these two funds were:

- Non-technological innovation remains difficult to finance;
- Public-private partnership is essential;
- Cross-border investment is a big hurdle at present;
- Investors are more comfortable with a sectoral bias and are wary of services innovation.

Case Study 3 - ImMediaTe

The last case study was outlined by **Andrea Romagnoli**, Project Manager at FILAS in Italy, who spoke about new forms of financing creative industries. On the basis of the ImMediaTe project's experiences, he believed that there was a financing gap between traditional innovation funding and services innovation funding, as the financing of these businesses follow different logics. The two models are illustrated in the figure below, using the example of Media and ICT projects. He concluded that it is fortunate that specific tools to address the needs of services innovation are being developed and piloted.

Partnerships for better innovation support


 Innovation in Services
 ImMediaTe



The challenge: financing “between the chairs”

Find an effective intersection between two different business/financing models:

<i>Sector</i>	<i>Model</i>	<i>People role</i>	<i>Deliverable</i>	<i>IP</i>	<i>Event</i>	<i>Investible</i>	<i>Finance</i>
ICT	Innovate	researcher	prototype	patent	exhibition	business plan	equity debt
Media	Create	talent	show-reel	copy-right	festival	production project	subsidy gap

In order to pick the best of both models and assist:

- people with the "right" ideas to raise the "right" money;
- people with the "right" money to invest in the "right" ideas.

Slide 19: The different financing models for traditional and service innovations

Discussions and Conclusions

The discussion centred on whether there was a specific market failure in services innovation that needed to be addressed by targeted public interventions. There seemed to be a consensus that pan-European instruments were needed to support services innovation, particularly in financing. These could combine several important elements, such as improving the investor-readiness of services businesses, providing guarantee mechanisms and adapting the available equity funding instruments to the needs of European services businesses. The Roundtable suggested that there was a need for more examples of very successful services businesses to provide inspiration for financiers, as well as for service businesses themselves.

6. Closing Plenary Session

Feedback from the Roundtables on Framework Conditions

The Closing Plenary Session on 16 June began with the syntheses of the three Roundtables on Framework Conditions for Services.

Roundtable 1 – Business Support

The theme of the discussion had been 'Business support - new support services being developed in the field of eco-innovation'. The Rapporteur, **Flore Vaucelle**, Consultant at the Technopolis Group, outlined the dilemma that had been identified by the Roundtable namely, how was it possible to combine people's desires for consumption and the growing need for sustainability? For example, when thinking about publications, what was the best and most ecological way to respond to the demand from customers? Was it through electronic books, or the growing use of libraries or simply by printing more books? The Roundtable concluded that many kinds of options had to be considered and that it was important to keep an open mind on all the alternatives, as this approach would hopefully provide the best solutions.

The Roundtable also discussed access to funding and especially the use of vouchers. The idea of more harmonised and simplified voucher schemes had gained support within the audience. It was felt that the standardisation of the voucher schemes could boost the use of this kind of funding.

Roundtable 2 – The Business Environment

The Rapporteur, **Zita Zombori**, Managing Director of the Hungarian Pole Programme Office, raised two main issues from the discussion on 'The Business Environment - Cluster Initiatives and what Services can be provided by them'. Different environmental factors were important for different clusters and there was not necessarily coherence between the needs of clusters but conversely, the framework conditions in specific industries were now more important than they had ever been before.

Reinhard Büscher, Head of Support for Innovation Unit at the DG Enterprise and Industry of European Commission had informed the audience in Roundtable 2 that the European Commission intended to re-align the functions of the European Cluster Observatory. In the future, the Cluster Observatory would focus on policy learning, as well as on analysing frameworks conditions and mapping clusters.

Roundtable 3 – New Forms of financing

Firstly, the Rapporteur, **Kimmo Halme** Managing Director of Advansis Ltd, repeated a statement made by the Moderator of the Roundtable, William Stevens, who had said that *"every company has a services component in it and therefore the support of services had to be comprehensive in nature."*

The Roundtable had concentrated on 'New Forms of financing Innovation in Services'. However, it had focused more on defining the challenges in the funding of services innovation rather than on providing the solutions to these challenges. Quite often services firms found it difficult to attract venture capitalists. Services businesses are very different from traditional manufacturing companies and IPR issues could be difficult for potential financiers to understand. It was felt that there was a lack of understanding on both sides and that was why some venture capitalists were afraid of the risk of investing in a services company. Also, the fragmentation of national markets complicates the growth of services companies in Europe. Thus, the largest problems in funding are the lack of growth and the lack of R&D funding. The creation of a European growth fund with a sectoral focus was supported by the participants, as was a better adaptation of the existing funding mechanisms to services businesses. The Roundtable also indicated that inspiring examples of successful services businesses were needed to attract more interest from potential financiers.

Two new Initiatives in Support of Services Innovation

Mette Quinn, Policy Officer at the Support for Innovation Unit of DG Enterprise and Industry, began by referring to the recent changes that had been made to the EU's policy agenda. The new Commission was preparing itself for the discussions on the new financial perspectives. These were expected to be tough in the light of the urgent need for many Member States to consolidate their own budgets.

In order to provide a testimony of their importance, Europe INNOVA projects will have to be able to demonstrate their positive impacts and, therefore, visible results that justify European funding are needed. Mette Quinn argued that the most relevant impact indicator was the amount of additional funding that had been mobilised, whether this was public innovation support or private risk capital. Each project must be able to indicate at least one "cash cow" that could, for example, be new venture capital funds for a specific sector or the mobilisation of additional funding from innovation agencies for the further development of vouchers.

The real test of all the projects came after their European funding stopped. The Commission is looking forward to receiving evidence of projects that have created practical solutions, which have then been maintained and further developed by other organisations or agencies. This was important because Europe INNOVA was not considered as the laboratory for the development of new tools and products, which can subsequently be replicated or adapted by other regional and national agencies. Mette Quinn emphasised that the most important issue was to have a clear idea about the potential of services innovation to support the EU 2020 strategy. This will require the close linking of services innovation to the 'flagships' that are identified in this policy document. Now is the time for concrete proposals about 'transformative' services innovations that can contribute to smart, sustainable and inclusive growth in Europe.

She then introduced two new initiatives in support of services innovation, which will be launched by DG Enterprise and Industry to further develop and test new policy approaches. The first initiative will focus on creative industries, and aims to promote services in this sector, as well as facilitating the use of creativity more broadly in other sectors and in the economy at large. By setting up a 'European Creative Industry Alliance' between regions that wish to strengthen their creative industries, SMEs in other sectors will be enabled to take more advantage of creative solutions. In the second initiative, a similar approach will be followed for satellite-enabled services, as part of the further promotion of Galileo and GMES. These new initiatives will not only support services innovation as such, because they will also follow a broader industrial policy approach that includes the development of new cluster concepts for services industries.

Final Reflections

The joint conference of the EPISIS INNO-Net and the Europe INNOVA Annual Partnering Event was closed by **Allan Mayo** who reminded the participants that the rising middle-classes in China and India offer a huge opportunity for European services businesses. This target group will need many kinds of services both in Europe, such as tourism, and in their home countries. Therefore, whole new markets could open up for European gazelles, as well as other companies. However, he believed that in supporting innovative firms, the local perspective and funding were crucial. Local initiatives had the best understanding of a project or company, its business environment and the risks it was taking, and this local perspective should not be underestimated. He then presented the audience with an example of sharing and collecting information - the web-solution tool. This tool will be used in the work of Expert Panel on Services Innovation and he encouraged participants to use web 2.0 instruments in their projects and partnerships.

Finally, like Mette Quinn, Alan Mayo thanked the organisers, as well as the participants, for a fruitful and successful event and concluded by asking the audience *"what you will do differently next week after the taking part in this event?"*

All these changes might just make a real difference!

7. Side events

7.1. Meeting of the Expert Panel on Services Innovation in the EU

On Monday 14 June, the Expert Panel on Services Innovation met for its second workshop. The Expert Panel was appointed by DG Enterprise and Industry and comprises 20 distinguished innovation experts drawn from across industry, academia and public authorities and from 15 different Member States. Its mandate is to advise the European Commission on policy instruments and initiatives that can support innovation in services throughout the European Union.

The overall goal for the Expert Panel, when its work ends in 2011, is to have produced a large and convincing evidence base to support the Europe 2020 Strategy. This evidence base will be a collection of inspiring and stimulating examples of services and policies drawn from all the EU Member States. In addition, it will present a number of key recommendations, a services innovation policy roadmap and a substantive report providing new knowledge and information about services innovation.

The first Panel workshop in Brussels established a common understanding of the role of the Expert Panel alongside those of the European Commission's other services innovation initiatives and aligned the Panel's work more closely to the new 'Europe 2020 Strategy - A strategy for smart, sustainable and inclusive growth'. This strategy has a dynamic vision of an effective social market for the 21st century. It identifies three priorities:

- Smart Growth - developing an economy based on knowledge and innovation;
- Sustainable Growth - promoting a more resource efficient, greener and more competitive economy; and
- Inclusive Growth - fostering a high-employment economy delivering social and territorial cohesion.

The theme of this second workshop was 'Services innovation as a catalyst for growth - confirm and develop further the key emerging services for enabling smart, sustainable and inclusive growth' and thus, the discussions were closely linked with theme of the conference. The purpose of the workshop was to confirm and develop key emerging services for each of the three growth areas in the Europe 2020 strategy against a number of selection criteria, to enrich the understanding of these services and to assess each in terms of their drivers and barriers as well as their transversal potential.

At the third and fourth workshops in September and December 2010, crucial policy issues will be discussed and the experts will provide recommendations on how Member States can address the challenges and also ensure that the appropriate framework structures are in place to promote services innovation.

The format of the Workshop on 14 June was a combination of break-out sessions with their results being validated in plenary. After a series of long and productive discussions, the Chair of the Expert Panel **Allan Mayo** summarised the results that had been achieved during the day and overall, the expected progress has been achieved. The concluding activity of the workshop was the introduction of a new feature - the Interactive Policy Roadmap. This is a collaborative tool that engages the experts and, which later in the year, will also involve the wider EU innovation community, in the formulation of recommendations and in the sharing of background information, cases and evidence.

7.2. TAKE IT UP Testing Workshop – A Discussion with Partnerships on how to set up the Testing Process

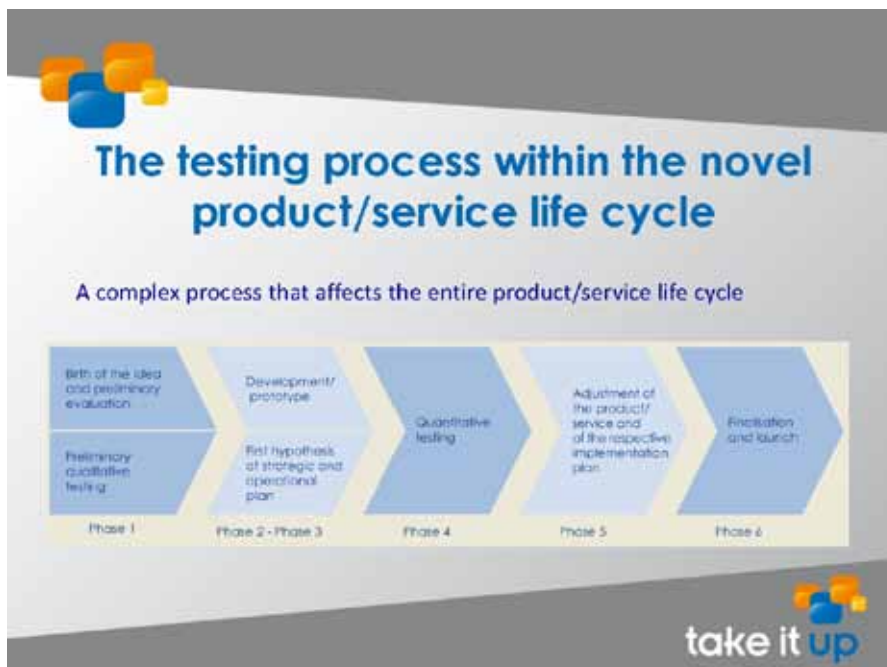
Testing is a crucial step in the development of novel tools and services within any business sector. It offers a clear indication of the potential response of the users and a more precise picture of their needs. Testing is a crucial task to be undertaken by the Europe INNOVA partnerships that are experimenting with innovation support tools and services and it is also a key area of intervention for TAKE IT UP. This competence building workshop on testing had received more than 80 registrations – a fact that demonstrated the great interest in the topic.

Andrea Di Anselmo of the META Group and Project Coordinator of TAKE IT UP presented the 'Testing Handbook' that had been prepared by this Europe INNOVA partnership. He stressed that if novel tools and services were to become more effective, they must reflect the needs of innovative enterprises, have a significant impact on their innovation capacity and be packaged to ensure the widest possible take-up by innovation intermediaries across Europe. To be successful, the testing process should start from a clear reference framework that formulates the scope and objectives of the testing. This means that there should be a detailed outline of the functional and non-functional properties of the service or tool under development and that the assumptions to be verified are well defined.

Alessia Melasecche, of the META Group, then explained the testing process to all the Europe INNOVA partnerships. The participants were given a wide range of practical advice focusing on:

- The conceptual framework - the testing process within novel product/service life cycle;
- Testing techniques - qualitative and quantitative testing;
- Testing implementation - from the concept stage to the operative stage.

The TAKE IT UP 'Testing Handbook - testing methodology guidelines and testing toolkit' that was launched at the event is now available on the Europe INNOVA portal in the Novel Tools and Services section.



Slide 20: The testing process within the novel product/service life cycle

In Copenhagen, TAKE IT UP also organised its second Expert Validation Platform (EVP) meeting. The experts were introduced to the Europe INNOVA Eco-IP and Cluster-IP projects with the objective of extracting initial feedback on enhancing services and improving tools and also on providing support for the testing process. The EVP also discussed the capitalization strategy planning process and validated the 'Warehouse for Innovation Support,' which is an on-line database developed by TAKE IT UP that collects 'best in class' tools and services from throughout Europe.

7.3. Official Opening and Welcome Reception

When the business of first day of the conference had finished, delegates and speakers travelled in buses from the conference venue to a welcome reception in central Copenhagen. Almost 100 delegates attended this official opening of the conference, which was hosted by the Danish Agency for Science, Technology and Innovation (DASTI). It took place in the garden of an historic building at Bredgade 40, just behind the Royal Palace of Amalienborg. This building that belongs to the Ministry of Science, Technology and Innovation and is home to DASTI.

Thomas Alslev Christensen, Head of Unit at DASTI, welcomed everyone to the conference and to the city of Copenhagen. He emphasised how the Ministry of Science, Technology and Innovation had been looking forward to co-hosting this high-level event together with the EPISIS group and the European Commission. He stressed the excellent collaboration that had gone into the organisation of the event and encouraged all participants to make the most of the coming days and the interesting discussion sessions that had been prepared.

A traditional Danish smørrebrød was served and the delegates mingled, enjoying the opportunity to meet old and new acquaintances and to discuss the days ahead. The welcome reception was followed by a sightseeing tour of the historic parts of Copenhagen. These included the Amalie Garden, a small park located between Amalienborg Palace and the waterfront.

7.4. Gala Dinner

The official conference dinner took place on Tuesday evening and the venue was the Restaurant Ravelinen in Torvegade. Ravelinen was originally built as a toll house. It is located near the old city walls only 1 600 metres from the City Hall Square. Ravelinen's food reflects its animal-welfare concerns so that the beef, pork and lamb served in the restaurant all come from animals that have been reared in the open air. The restaurant uses organic products as often as possible and many of these come from Denmark, which reduces the energy used in transportation and also CO₂-emissions.

Thomas Alslev Christensen gave an opening speech in which he thanked everyone for their participation in the conference. This was followed by a speech by **Lisbeth Bahl Poulsen** from the European Commission, DG Enterprise and Industry. She mentioned that the conference was the first time that the different activities that had been launched, during the last year, in the area of services innovation had been brought together. These included the Expert Panel on Services Innovation, EPISIS INNO-Net and the Europe INNOVA Innovation Platforms. So far, this had proved to be a great success, and the format was likely to be repeated in future workshops and partnering events.

Almost 150 European delegates and speakers, as well as innovation stakeholders in Denmark, attended the gala dinner. It was a night of fine dining, and the discussions during the first full day of the conference fuelled many lively and inspiring conversations across the dinner tables.

