Service Innovation Policy Benchmarking

Sweden

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Dr Tommy Bergkvist

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EXECUTIVE SUMMARY

Sweden is home to many innovative global service businesses and has a long tradition in research on services. We can see a number of service innovations derived from political decisions, some of them originated decades ago. Most prominent are the efforts to increase effectiveness in the public service sector by deregulation and privatisation. These efforts constitutes the most important source for service innovations in areas like education, public transportation, post & telecom, electricity broadcasting & TV, health care, pharmacies, social insurances and social services. The most important service industries in Sweden are wholesale and trade, professional/scientific/technical and administrative services and real estate management, counting for 70 % of the service industry production.

Traditionally policy initiatives are on supply-side but now increasingly on demand-side like the law on freedom of choice for health and social care services resulting in numerous service innovations. Innovation procurement is a recent initiative which is expected to lead to service innovations by the large buying power in public procurement. ROT - Tax reduction for renovating and improving existing houses, has created a market for innovative suppliers. RUT - Tax reduction for private households, using cleaning, maintenance and laundry, has created a number of innovative B2C suppliers in a market where only B2B suppliers could exist. Reduced VAT on restaurant and catering services will lead to new jobs and new service innovations, triggered by larger volumes and better economy.

The Swedish government works primarily with framework conditions, seeking sustainable effects and an impact on a systems level. The impact of broad dialogues and network building activities that come from government assignments and reporting requirements to its agencies are examples of such indirect governance. Sweden has a tradition of systems thinking in both industry and public sector with consensus decision-making and agreement seeking.

Initiatives to develop framework conditions also increase and include E-Government, national e-health, with programs for 24h Authorities and a whole new interface with its customers. The Digital agenda for Sweden promotes the exploitation of opportunities created by making public authorities’ databases more accessible and hence let small and medium sized ICT companies innovate and grow business. Broadband strategy for Sweden, will lead to a number of new service innovations by an ambitious goal for household access to broadband throughout the country. The new national council for innovation and quality in the public sector, called Innovationsrådet, shall support and stimulate innovation and change processes in the public sector that may result in considerable improvements for citizens and companies, as well as improving the effectiveness of existing processes.

Following the national service innovation strategy in 2010, the government will publish a new innovation strategy during fall 2012. Innovation agencies will pursue challenge-driven innovations, as anticipated in the new framework programs for EU.
A. THE SWEDISH NATIONAL POLICY CONTEXT

Sweden is home to many innovative global service businesses and it has a long tradition in research on services. We can see a number of service innovations derived from political decisions and political goals, some of them originated decades ago.

Most prominent are probably the efforts to increase effectiveness in the public service sector by deregulation and privatisation of several public service sectors. The political goal was to broaden competition and allow for new actors to enter these sectors, but also to reduce cost for public services for the tax payers. As market competition was regarded as one of the best means to achieve lower costs, several public service sectors were opened up to invite alternative providers of relevant services.

These deregulations of public service sectors are probably one of the most important sources for service innovations in areas like education, public transportation, post & telecom, broadcasting & TV, electricity, health care, pharmacies, social insurances and other social services in Sweden. Still having a large public service sector (about 30 % of the total service sector), there is great potential for new innovative services derived from further deregulations.

VINNOVA has announced calls on service innovations; in 2007 about Winning service work - by user-driven innovation, in 2009 on Managing and organising for innovation in service firms, and a call on business models, as well as hearings\footnote{Tjänsteinnovationer för tillväxt (Service innovations for growth – available only in Swedish), by Tommy Bergkvist, VINNOVA VR 2009:15} about service innovations.

The most recent action is an initiative to strengthen the innovation capacity in SMEs; it was announced in March of 2012. It is targeting SMEs by means of innovation cheques and innovation coaches. The initiative is aimed at companies that need new knowledge or new technology in order to develop new innovative services, goods or processes. It includes notions such as service innovation, design, business models and processes. VINNOVA is heading this action during 2012-14 with a budget of 31 M SEK.

The Swedish Agency for Economic and Regional Growth has published several reports on service innovations during 2005-2008, launched program on entrepreneurship in the service sector, emphasising women’s entrepreneurship\footnote{A new program (together with ALMI) allocating 100 mSEK will increase the knowledge and competence about women’s entrepreneurship, and also increase the number of women starting, leading fulltime and employing to their business.}, and initiatives on the development of health and social care.

The Swedish Agency for Growth Policy Analyses has carried out several analyses on the service sector for example in the yearly reports and a report on an innovation policy for services with international examples.
The law on freedom of choice (LOV\(^3\)) from 2008\(^4\) hands over the choice of provider of health and social care services to the user or patient. The LOV consists of two parts: (i) the public health and social care procurement process has to treat all bidding actors equally and in a non-discriminatory manner (i.e. equally include private companies) and (ii) the user/patient has the freedom to choose between all qualified suppliers when looking for health and social care. The freedom of choice for local community services is not compulsory to introduce for a local community but during the three years one third of the 290 local communities in Sweden has now introduce the freedom of choice system and 69 more communities have decided to do so. Konkurrensverket\(^5\) has got a government assignment to follow and evaluate the local communities’ system for freedom of choice.

The Government, in May 2011, established a national council for innovation and quality in the public sector (ett nationellt råd för innovation och kvalitet i offentlig verksamhet, now called Innovationsrådet\(^6\)). The council shall support and stimulate innovation and change processes in the public sector that may result in considerable improvements for citizens and companies, as well as improving the effectiveness of existing processes.

Tourism is another area with a large number of service actors together adding up to an important sector with a large innovation potential. The government will allocate 20 mSEK each year during 2012-2014 to improve and develop new and existing tourist destinations, as well as counselling and business development focused on small companies within the tourism industry.

For the cultural and creative industries the government allocated 73 mSEK during 2009-2012 to create good conditions for entrepreneurs and companies to develop their business ideas and businesses and to improve the profitability. The initiative includes counselling, incubators, networks, entrepreneurship, innovation and design, leadership and management, financial needs and competence development.

A number of new initiatives based on ICT and digitalisation issues have been launched during the last decade. The political aim has been to create a whole sphere of new opportunities by focusing on framework conditions for a new digital infrastructure, and as a consequence new service innovations have been created and introduced.

The concept of e-Governance implies technology driven governance and interactions within the entire government framework. In e-Governance, the government services will be made available to the citizens in a convenient, efficient and transparent manner, often 24 hours a day – creating the 24h Authority. To strengthen the development of e-Government and create good opportunities for inter-agency

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\(^3\) Acronym for Lag om valfrihetssystem (Law on freedom of choice)
\(^4\) Government bill 2008/09:29 and SOU 2008:15
\(^5\) The Swedish Competition Authority
\(^6\) [http://www.innovationsradet.se/](http://www.innovationsradet.se/)
coordination, a delegation for e-Government\(^7\) has been being established. The delegation published a proposal for the authorities work with e-Governance in 2009\(^8\). Several sector applications have developed like the National e-health strategy\(^9\).

The digital agenda for Sweden\(^10\) has been developed by the Ministry of Enterprise, Energy and Communications and published 2011. The purpose of the Digital Agenda for Sweden is to collate all on-going activities in a horizontal, cohesive strategy in order to make use of and exploit all the opportunities offered by digitisation to individuals and businesses, for example making public authorities’ databases more accessible\(^11\), growth in small and medium-sized ICT companies enabling new service innovations, can boost.

Already in 2009 a broadband strategy for Sweden was presented\(^12\), including a goal for 2020 that 90% of all households and businesses in Sweden should have access to broadband with a speed of at least 100 Mbps, which probably would lead to a number of new service innovations. Just recently the VAT on so called Apps for internet services was reviewed and cleared for some double taxation effects, and hence will facilitate the development of Apps for internet services.

In 2009 VINNOVA got a government assignment with an annual budget of 30 MSEK to create a research program studying the financial markets to improve the international competitiveness of the Swedish financial markets research and its relevance for both private and public actors within the financial sector. Two calls were launched during 2010; establishing a national center for financial markets research and the introduction of industry doctoral students program focused on financial markets research.

Another broad area where a number of new service innovations have appeared as a consequence is the tax deduction for renovating and improving existing houses, mainly villas and residential buildings, launched in 2004 and called ROT\(^13\), created a market for new innovative building contractors and craftsmen for private homes. During 2010 there were 870 000 people ordering ROT-jobs creating 30 000 jobs in the industry during that year\(^14\).

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\(^7\) http://en.edelegationen.se/
\(^8\) Strategi för myndigheternas arbete med e-förvaltning (A strategy for authorities work with e-Governance – available in Swedish only), betänkande av E-delegationen 2009.
\(^9\) Nationell eHälsa – strategin för tillgänglig och säker information om vård och omsorg (National e-Health – strategy for accessible and safe information about health and social care – in Swedish only), Socialdepartementet 2010
\(^10\) ICT for everyone – A digital agenda for Sweden, Ministry of Enterprise, Energy and Communications 2011
\(^11\) http://www.opengov.se/
\(^12\) Broadband strategy for Sweden, Ministry of Enterprise, Energy and Communication 2009
\(^13\) In Swedish called ROT which is an acronym for "Reparation, Ombyggnad och Tillbyggnad", translated to Renovation, Reconstruction and Extension
\(^14\) According to the Swedish Tax Agency’s report 2011: 1 “Om RUT och RUT och VITT och SVART” (About RUT and ROT and WHITE and BLACK – available in Swedish only)
A similar tax deduction from 2007 for services in private households, like cleaning, baby-sitting and gardening, called RUT, has led to a large number of new companies offering services that not have been available for private persons before. During 2010 there were 326 000 people ordering RUT-jobs creating 5 000 jobs in 12 500 companies that year.

The newly introduced decreased VAT on restaurant and catering services is hoped to lead to new service innovations triggered by larger volumes and better economy.

A very recent initiative is to increase the financing of the incubators with another 300 MSEK during a three years period with a focus on new and growing knowledge intensive companies and internationalisation of companies with a high growth potential.

On the local level, the right to challenge the local municipality’s own service operation by giving the right for any entrepreneur that likes to run the community’s service operation, to propose that the existing service operation should be subcontracted or sold, is another policy measure that might lead to new innovative municipality services.

The local communities have been allocated 15 mSEK for the next three years period to improve the efficiency and coordinate different types of services with low service penetration in rural areas.

Innovation issues have traditionally been treated within the framework of research policies. The two latest government bills on research policies (2004 and 2008) contain no explicit proposals for policy measures to support service innovation. In July 2010 there was a government service innovation strategy, dealing with support to service innovations. The 43 pages long document is a milestone illustrating that service innovation is politically recognised.

The document gives strategic directions but is more of a program declaration on what to look deeper into to be able to promote service innovations in different ways. The process behind the document also included some innovative features, like crowd sourcing and an Internet forum, inviting the public to contribute to and discuss what should be included in the service innovation strategy.

The now on-going effort to write a new governmental innovation strategy, planned...
for fall 2012, follows the interactive manner from the service innovation memorandum and also includes a number of dialogues, meetings and calls for inputs from the public and the business sector and the civil society. This time a more horizontal approach is used by having the Ministry of Enterprise, Energy and Communications leading the process but involving all other Ministries, not only the Ministry of Education and Research, which has been the normal way of dealing with this matter.

A new government bill on research and innovation is on-going and will be published in 2012. The content is not yet known but will most likely address services and a wider scope on innovation.

Key actors in the national innovation system

Main public actors in the Swedish national innovation system

<table>
<thead>
<tr>
<th>A Government (ministry level)</th>
<th>Education &amp; Research (U)</th>
<th>Enterprise, Energy &amp; Communications (N)</th>
<th>Other ministries (Defense, Rural, Environment)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>B Governmental agencies financing research</th>
</tr>
</thead>
<tbody>
<tr>
<td>General financer, curiosity-driven research, competitive allocation</td>
</tr>
<tr>
<td>promotes and supports basic research and need-driven research in Environment, Agricultural Sciences and Spatial Planning</td>
</tr>
<tr>
<td>Swedish Council for Working Life and Social Research, FAS (<a href="http://www.fas.se">www.fas.se</a>), finances research in Social Science with focus on labor relations</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C Independent but public foundations with a R&amp;D financing mission (U)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategiska (<a href="http://www.stratresearch.se">www.stratresearch.se</a>) SSF</td>
</tr>
<tr>
<td>KK-stiftelsen (<a href="http://www.kks.se">www.kks.se</a>)</td>
</tr>
<tr>
<td>Mistra (<a href="http://www.mistra.org">www.mistra.org</a>)</td>
</tr>
<tr>
<td>Health areas</td>
</tr>
<tr>
<td>Vårdal (<a href="http://www.vardal.se">www.vardal.se</a>)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>D Higher education agencies (U)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible for evaluating higher education and higher education statistics</td>
</tr>
<tr>
<td>HSV (<a href="http://www.hsv.se">www.hsv.se</a>)</td>
</tr>
<tr>
<td>VHS (<a href="http://www.vhs.se">www.vhs.se</a>) responsible for applications</td>
</tr>
</tbody>
</table>

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20 Illustration from the report "The performance and challenges of the Swedish national innovation system – a background report to OECD, Tillväxtanalys 2011:04"
E Higher education & public R&D performers; universities (U)

<table>
<thead>
<tr>
<th>Higher education at</th>
<th>Largest R&amp;D performance with 57% of all R&amp;D expenditure at universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 locations, 3 cycles</td>
<td>Karolinska Med Univ</td>
</tr>
<tr>
<td>24 location, 2 cycles</td>
<td>Lund Univ, Uppsala Univ, Göteborg Univ, Stockholm Univ</td>
</tr>
<tr>
<td>2 locations, single topic</td>
<td>(cycles refers to the Bologna nomenclature)</td>
</tr>
</tbody>
</table>

F Public and semi-public research institutes (N) www.ri.se

<table>
<thead>
<tr>
<th>SWEREA (<a href="http://www.swerea.se">www.swerea.se</a>)</th>
<th>FOI (<a href="http://www.foi.se">www.foi.se</a>)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SICT (<a href="http://www.sict.se">www.sict.se</a>)</td>
<td>Swedish Defense Research Agency</td>
</tr>
<tr>
<td>STFI-Packforsk (<a href="http://www.stfipackforsk.se">www.stfipackforsk.se</a>)</td>
<td>VTI (<a href="http://www.vti.se">www.vti.se</a>)</td>
</tr>
<tr>
<td>SP (<a href="http://www.sp.se">www.sp.se</a>)</td>
<td>Road &amp; transport research</td>
</tr>
</tbody>
</table>

G Agencies and organizations supporting innovation (N)

<table>
<thead>
<tr>
<th>Vinnova (<a href="http://www.vinnova.se">www.vinnova.se</a>)</th>
<th>Tillväxtverket (<a href="http://www.tillvaxtverket.se">www.tillvaxtverket.se</a>)</th>
</tr>
</thead>
</table>

H Public foundations and state-owned enterprises with a mission to provide financial and non-financial support to SME and early stages ventures (N)

<table>
<thead>
<tr>
<th>Industrifonden (<a href="http://www.industrifonden.se">www.industrifonden.se</a>)</th>
<th>Innovationsbron (<a href="http://www.innovationsbron.se">www.innovationsbron.se</a>)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almi (<a href="http://www.almi.se">www.almi.se</a>)</td>
<td>Incubators (<a href="http://www.sisp.se">www.sisp.se</a>) (private organization)</td>
</tr>
</tbody>
</table>

Most important actors from service innovation point of view

Ministry of Enterprise, Energy and Communication, coordinated the work on the governmental strategy on service innovation in 2010 and leads the development work for the new innovation strategy to be published during fall 2012.
http://www.regeringen.se/sb/d/1470

VINNOVA (The Swedish Governmental Agency for Innovation Systems) is Sweden’s innovation agency under the Ministry of Enterprise, Energy and Communication, and the national contact agency for the EU Framework Programme for R&D.
http://www.vinnova.se/sv/

Tillväxtnalyx (Swedish Agency for Growth Policy Analyses) is a national authority under the direction of the Ministry of Enterprise, Energy and Communications. They conduct evaluations, analyses and statistical studies with a broad Swedish and international perspective. They have recently performed a large number of assignments regarding service innovation. http://www.tillvaxtanalys.se/sv/

Tillväxtverket (Swedish Agency for Economic and Regional Growth) is a national agency under the Ministry of Enterprise, Energy and Communication, and has the role to strengthen regional development and facilitate enterprise and entrepreneurship throughout Sweden. They are, for example, active in areas as young entrepreneurs, promoting women's entrepreneurship, tourism industry and regional development. http://www.tillvaxtverket.se/
**Vetenskapsrådet** (The Swedish Research Council) is a government agency that provides funding for basic research of the highest scientific quality in all disciplinary domains. [http://www.vr.se/](http://www.vr.se/)

**FAS** (The Swedish Council for Working Life and Social Research) initiates and support research in the areas of working life, public health and welfare. [http://www.fas.se/en/](http://www.fas.se/en/)

**Formas** (The Swedish Research Council Formas) promote and support basic research and need-driven research in the areas Environment, Agricultural Sciences and Spatial Planning. [http://www.formas.se/](http://www.formas.se/)

**Innovationsbron** (Innovation Bridge) is owned by the Swedish state and Industrifonden (a foundation founded by the state) and operates throughout Sweden to support business development by providing seed financing, combined with industry related business development as active owners, as well as developing incubators. [www.innovationsbron.se](http://www.innovationsbron.se)

**Almi Företagspartner** (Almi Business Partner) is owned by the state and is the mother company of 17 regional subsidiaries partly owned by the regional county boards and regions, supporting regional business development with counselling and financial support (loans and equity). [http://www.almi.se/](http://www.almi.se/)

**RISE.** The industry research institutes, under the ownership of RISE Research Institutes of Sweden Holding AB. RISE Holding is an owner company that partly or wholly owns industry research institutes. Under RISE is, for example, SP Technical Research Institute of Sweden that performs testing and certification. SP also in 2012 launched a service innovation institute located in Karlstad. Swedish ICT also belongs to RISE, and is a group of world class research institutes in the forefront of research in ICT (Information and Communication Technology), ranging all the way from hardware to software. [http://www.ri.se/](http://www.ri.se/)

**SISP - Incubators** (Swedish Incubators and Science Parks) is an industry organization for 60 incubators and science parks in Sweden of which Stockholm University Innovation is the foremost service incubator. [www.sisp.se](http://www.sisp.se)

**KK-stiftelsen** (The Knowledge Foundation) is a research financier for the 17 new universities in Sweden with the task of strengthening Sweden’s competiveness and ability to create value. [http://www.kks.se/SitePages/Startsida.aspx](http://www.kks.se/SitePages/Startsida.aspx)

**IVA** (The Royal Swedish Academy of Engineering Sciences) is an independent organisation initiating contacts between experts and stimulating research exchanges and other projects to generate new ideas and knowledge for industrial growth in Sweden, recently launched a paper on Innovations for Growth including full scope of innovations. [http://www.iva.se/](http://www.iva.se/)
Almega (Employer and trade organisation for the Swedish service sector) offers analyses of the service sector and act as a lobby organisation for the support of the development and innovations in the service sector. [http://www.almega.se/omalmega](http://www.almega.se/omalmega)

Länsstyrelserna (The County Administrative Board) the 20 County Administrative Boards in Sweden are the representatives of the Government in the region and the coordinating body for State activities in the county, with resources to run programs, counselling and financial support to develop the business in the region including services. [http://english.skl.se/](http://english.skl.se/)

Kommuner (local communities) the 290 local communities in Sweden have a responsibility for several local services (public or private) as well as having resources to develop the business in the local community serving the local business regardless of industry or service sector. [http://english.skl.se/](http://english.skl.se/)

Universities, a majority of them, have research relevant to services, even if it is not always promoted or labelled as such. The following universities and colleges are examples of research organisations with an explicit focus in this area. The discipline of service science is young and we still miss certain research fields such as service innovation policy studies.

**Examples of strong research environments for service based research**

<table>
<thead>
<tr>
<th>Research environment</th>
<th>Research focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karlstad University</td>
<td>Consumer research Marketing</td>
</tr>
<tr>
<td><a href="http://www.kau.se/">http://www.kau.se/</a></td>
<td></td>
</tr>
<tr>
<td>Linköping University</td>
<td>Servicification within industry</td>
</tr>
<tr>
<td><a href="http://www.liu.se/?l=sv">http://www.liu.se/?l=sv</a></td>
<td></td>
</tr>
<tr>
<td>Mid Sweden University</td>
<td>Tourism</td>
</tr>
<tr>
<td><a href="http://www.miun.se/">http://www.miun.se/</a></td>
<td></td>
</tr>
<tr>
<td>Gothenburg University</td>
<td>Service development Business Models</td>
</tr>
<tr>
<td><a href="http://www.gu.se/">http://www.gu.se/</a></td>
<td></td>
</tr>
<tr>
<td>Lund University</td>
<td>Business development Leadership</td>
</tr>
<tr>
<td><a href="http://www.liu.se/">http://www.liu.se/</a></td>
<td></td>
</tr>
<tr>
<td>Luleå University of Technology</td>
<td>Functional sales Development of soft products Digital service development Business Models Living Labs</td>
</tr>
<tr>
<td><a href="http://www.itu.se/">http://www.itu.se/</a></td>
<td></td>
</tr>
<tr>
<td>Stockholm School of Economics</td>
<td>KIBS and digital service development Leadership in service operations Competence in service operations</td>
</tr>
<tr>
<td><a href="http://www.hhs.se/se/Pages/default.aspx">http://www.hhs.se/se/Pages/default.aspx</a></td>
<td></td>
</tr>
<tr>
<td>Viktoria Institute</td>
<td>Transportation solutions Sustainable personal transportations</td>
</tr>
<tr>
<td><a href="http://www.viktoria.se/">http://www.viktoria.se/</a></td>
<td></td>
</tr>
</tbody>
</table>

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21 Illustration translated to English from the report Behov av kunskap och kompetens för tjänsteinnovationer (The need for knowledge and competence for service innovations – available only in Swedish), VINNOVA report to governmental assignment 2011.
Most important service industries
Switzerland has a large public service sector counting for close to 30% of the total service sector, and including a large portion of a number of important services like, education, health care and social care, and public transportation.

Most important service industries ranked by GNP production values (and number of employees)

<table>
<thead>
<tr>
<th>Service Industry by industrial classification</th>
<th>Share of Service Industry production (GNP) %</th>
<th>GNP production value MSEK</th>
<th>Share of total number employees in service sector</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and retail trade</td>
<td>22,8</td>
<td>329 910</td>
<td>26,0</td>
<td>538 000</td>
</tr>
<tr>
<td>Professional scientific, technical and admin. activities</td>
<td>18,0</td>
<td>260 015</td>
<td>24,3</td>
<td>502 000</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>17,6</td>
<td>255 358</td>
<td>3,2</td>
<td>66 000</td>
</tr>
<tr>
<td>Management of real estate</td>
<td>10,6</td>
<td>153 278</td>
<td>3,2</td>
<td>66 000</td>
</tr>
<tr>
<td>Information and communication</td>
<td>10,6</td>
<td>152 855</td>
<td>8,4</td>
<td>173 000</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>10,2</td>
<td>147 026</td>
<td>11,2</td>
<td>232 000</td>
</tr>
<tr>
<td>Consultancy and scientific R&amp;D</td>
<td>9,2</td>
<td>133 746</td>
<td>9,8</td>
<td>203 000</td>
</tr>
<tr>
<td>Financial services and insurances</td>
<td>8,4</td>
<td>120 947</td>
<td>4,6</td>
<td>96 000</td>
</tr>
<tr>
<td>Admin. and support services</td>
<td>6,7</td>
<td>97 430</td>
<td>11,4</td>
<td>235 000</td>
</tr>
<tr>
<td>Education and health care</td>
<td>6,5</td>
<td>94 311</td>
<td>10,3</td>
<td>214 000</td>
</tr>
<tr>
<td>Computer programming, consultancy and related services</td>
<td>5,3</td>
<td>76 483</td>
<td>4,7</td>
<td>97 000</td>
</tr>
<tr>
<td>Personal and cultural services</td>
<td>3,1</td>
<td>44 298</td>
<td>4,9</td>
<td>102 000</td>
</tr>
<tr>
<td>Publishing, motion picture, video, TV and broadcasting</td>
<td>3,0</td>
<td>43 052</td>
<td>7,0</td>
<td>145 000</td>
</tr>
</tbody>
</table>

From SCB (Statistics Switzerland), all figures 2010

The total GNP production value for private services in Switzerland adds up to 1 447 772 MSEK.

Most important service industries from own R&D point of view

<table>
<thead>
<tr>
<th>Service industry</th>
<th>Share of total service industry R&amp;D in %</th>
<th>R&amp;D cost for own R&amp;D in MSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development organisations</td>
<td>45,0</td>
<td>8 585</td>
</tr>
<tr>
<td>Information and communication companies</td>
<td>23,9</td>
<td>4 565</td>
</tr>
<tr>
<td>Trade, motor services, hotel and restaurants</td>
<td>11,6</td>
<td>2 266</td>
</tr>
<tr>
<td>Architects, technical consultants, technical analyses</td>
<td>4,1</td>
<td>779</td>
</tr>
<tr>
<td>Publishing, motion picture, video, TV and broadcasting</td>
<td>4,0</td>
<td>757</td>
</tr>
<tr>
<td>Financial services and insurance</td>
<td>3,3</td>
<td>626</td>
</tr>
<tr>
<td>Advertising and other business services</td>
<td>1,5</td>
<td>282</td>
</tr>
</tbody>
</table>

All figures 2009
B. POLICIES PROMOTING SERVICE INNOVATION

From the service innovation strategy document it is possible to find out what areas that have been prioritised:

1. Effective and efficient framework conditions for service innovation
2. Knowledge and competence for service innovation
3. Digital infrastructure for service innovation
4. Internationalisation of service innovations

It is also possible to see what kind of initiatives that might be launched within the four prioritised areas by looking into the sub headings:

1. Effective and efficient framework conditions for service innovation
   a. The service innovation perspective within legislative work
   b. The tax system affects incentives for entrepreneurship and innovation
   c. Intellectual assets and rights
   d. Standardisation can facilitate service innovation
   e. Freedom of movement for services within EU inner market
   f. Access to capital for service innovations
   g. Public actors demand as a driving force for service innovation
   h. Developing the public support systems and promotion structures to match needs and conditions for renewal and growth in the service economy
   i. Reorientation of society towards sustainable development as driving force for service innovation

2. Knowledge and competence for service innovation
   a. Develop knowledge and competence for service innovation in education
   b. Develop knowledge and methods for user-driven innovation
   c. Promote employee-driven innovation
   d. Identify and analyse the needs for scientific knowledge development for service innovation

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22 En strategi för ökad tjänsteinnovation (A strategy for increased service innovation - available only in Swedish), Promemoria Näringsdepartementet 2010-07-08
23 New assignments are on-going in this area. The patent office will start counselling (a sort of helpdesk) as a support measure.
24 A report on Access to capital is to be published in April 2012.
25 A handbook for service innovation support measures will be developed by VINNOVA in 2012.
26 VINNOVA is continuing the efforts in challenge-driven innovation with new calls in 2012.
27 VINNOVA report, Need for knowledge and competence for service innovations - in Swedish with an English summary, 2011-11-15
e. Integrate service innovation aspects in industry and sector oriented initiatives
f. Increase knowledge on business model innovation and the importance of the business model for service innovation
g. Knowledge and competence in service design
h. Increased knowledge and competence about financing of service innovations
i. Identify good examples of service innovations in rural areas and countryside, and find methods for competence development for service providers and users
j. Better decisions require development of measurement methods and indicators

3. Digital infrastructure for service innovation
   a. Dialogue about the Internet of the future
   b. Access to broadband in all parts of the country is crucial for digital services
   c. Digital service innovation companies
   d. Development of digital services in other kind of companies
   e. Framework conditions for digital services

4. Internationalisation of service innovations
   a. Increasing existing resources for internationalisation of companies and organisations
   b. Review conditions for SMEs in areas where Sweden has comparative advantages for marketing on foreign markets
   c. Review issues on direct investments, international cooperation on knowledge development and innovation processes, competence issues on manning of companies or organisations (conditions to attract foreign competence), etc.

By this strategy the Ministry says that the first corner stone is laid of a broad foundation for so called learning politics on innovation, growth and well-being. The strategy is the start to develop the innovation policy being able to take advantage and explore the possibilities of the service economy. The next steps will build on cooperation and a dialogue with the industry, academia and public actors.

28 Swedish Agency for Economic and Regional Growth has a large number of support initiatives for regional development.
29 VINNOVA is responsible for a Forum for the Future Internet, a network and an arena that provides discussion for a broad set of actors in this field. The work is based on the Swedish version of the Digital agenda.
30 On-going study on the use of ICT in SME, to be published 2012.


Service innovation policy development activities after the service innovation strategy

In Sweden the agencies are subordinate to the Government and responsible for implementing public policies. Every year the Government takes a decision on the preconditions for agencies’ operations. This is effected through, what are known as, appropriation directions. The agencies are independent and are to a large extent free to form their own initiatives. The Government works with framework conditions on a broader, industry neutral, scale. This is one reason for there not being (many) programmes exclusively for services.

The three agencies under the Ministry of Enterprise, Energy and Communication; VINNOVA, Swedish Agency for Growth Policy Analyses and Swedish Agency for Economic and Regional Growth, all achieved appropriation directions dealing with service innovations both for the fiscal year 2010 and 2011. In the appropriation directions and the answers from the agencies we can find political ambitions for promoting service innovations.

In the appropriation directions for 2010 all three agencies achieve similar directions when it comes to the service innovation part.

VINNOVA was asked to report how the agency contributes to:

1. strengthen the conditions for increased service innovation in the Swedish economy
2. increased knowledge about what is creating service innovations
3. strengthen the exchange of knowledge and experiences between actors in academia, business and public sector within the area of service innovation

The Swedish Agency for Economic and Regional Growth was asked to report:

1. how the agency contributes to increased knowledge about what is creating service innovations
2. how the agency contributes to strengthen the conditions for increased service innovation
3. suggestions for continuous work (within the agency) to strengthen the ability for service innovation in the Swedish economy

The Swedish Agency for Growth Policy Analyses was asked to report:

1. an inventory and description of available statistics illustrating
   a. indicators relevant to service innovations and identifying missing knowledge and development needs in existing statistics
   b. indicators relevant to innovations in the service sector and identifying missing knowledge and development needs in existing statistics
c. on-going development work dealing with indicators relevant to the service economy, service innovation and the service sector on national and regional level, as well as within EU and OECD

2. the need for knowledge development to increase the understanding how growth is created in a service based economy and what role service innovation and innovations in the service sector play.

The Ministry of Enterprise, Energy and Communication emphasise that the purpose of the appropriation directions for 2010 is to contribute to a foundation for the formation of measures and initiatives for increased service innovation. From the agencies’ reporting it might be possible to perceive the foundation of some upcoming policy measures supporting service innovations.

VINNOVA prioritised seven strategic areas, and services are one of them with its own Chief Strategy Officer. Initiatives for increased service innovations will be integrated within four sectorial areas within VINNOVA; Health, Transport and Environment, Services and ICT, and Manufacturing and Working Life. Themes and challenges to focus are; the needs for increased utilisation of knowledge, needs-motivated research and increased cooperation with the business community. Also lack of knowledge about the conditions for service operations, increased service export and increased service content within manufacturing companies and emerging industries. Service in the public sector is also recognised as an important field for new initiatives. VINNOVA launched an initiative, Challenge-driven innovation, during 2011 that shift focus towards the grand challenges but in a Swedish context.

The Swedish Agency for Economic and Regional Growth recognised several initiatives for the service industry development:

1. Improving entrepreneurship and renewal within health care and social care following the deregulation of the earlier public monopoly.
2. Internationalisation and export of services
3. Creating service incubators
4. A new program on Young and Innovation  
5. Taking a proactive role about knowledge development in the service sector and to come up with suggestions on how policy measures can be adapted and renewed for the service sector.

The latter is a concrete initiative to start developing new policy measures for the support of service innovations.

The Swedish Agency for Growth Policy Analyses continued to produce knowledge on service innovation about the importance of services for growth and renewal of the Swedish economy.

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31 Ungas Innovationskraft is an initiative from VINNOVA and Tillväxtverket allocating 19 mSEK to 22 projects to support young people between 18-30 years how to realise their ideas and to get increased knowledge on idea development and commercialisation.
In the appropriation directions for 2011, the agencies took on new government assignments on support to service innovations.

VINNOVA launched in their report\(^{32}\) to the Ministry a number of suggested initiatives to improve knowledge and competence for service innovations:

1. A special focus on innovation procurement highlighting the collaboration between public sector, industry and research.
2. Societal challenges as a driver of specific service innovation efforts.
3. Strengthening service research to promote and facilitate coordination, networking and interdisciplinarity.
4. Meeting places and collaborative arenas for exchanging knowledge which might, for example be facilitated by intermediaries.
5. Vouchers for service innovation and service design.
6. Increased mobility between the practical sphere and academia in order to stimulate the process surrounding service innovations and create a better understanding between actors.
7. Innovation Labs in universities to strengthen the interaction between research, education, innovation and industry.
8. Commercialisation of service research.
9. National opportunities, including Living Labs, test beds and demonstrators with Sweden as a test market for such things as e-services, transport, health care, schooling and sustainable urban design as well as access to international test and demonstration milieus.
10. Vouchers for small and medium sized enterprises to enable the export of service innovations.

The Swedish Agency for Economic and Regional Growth pursues its five initiatives from last year and reports that they are still in the set up phase for most of the initiatives. During the year the agency has structured its operation in seven focus areas and all of them are said to have a renewal perspective and a certain emphasis on service innovation. They are:

1. Easier for everyone to start and develop companies; with initiatives to develop industry guides for emerging industries within the service sector.
2. Business development in SMEs; with initiatives on procurement to stimulate entrepreneurship and woman’s entrepreneurship.
3. Capital sourcing and financing; with initiatives to rise capital and finance commercialisation of business ideas.
4. Local and regional growth and innovation; with initiatives to facilitate new solutions to services on locations where normal offerings are not difficult to maintain.

\(^{32}\) Behov av kunskap och kompetens för tjänsteinnovationer (Need for knowledge and competence for service innovations - *in Swedish with an English summary*), VINNOVA 2011-11-15
5. Environmental driven growth.
6. Travel and experience driven markets; with initiatives for new and small companies without established markets.
7. Entrepreneurship within health and social care; with several programs e.g. development vouchers for private companies to increase competition.

The Swedish Agency for Growth Policy Analyses continued to produce a number of reports on service innovation; e.g. Driving forces for service companies, Management of innovations in service companies, statistical indicators on service innovations. The reports are all focused on knowledge development and result in useful insights and suggestions for further studies rather than new policy measures.

Summary and classification of policies promoting service innovations

Traditionally policy initiatives are on supply-side but now increasingly on demand-side and improvements in framework conditions. Innovation agencies like VINNOVA has moved in that direction, from mainly calls and research project financing to creation of new arenas for service innovations and other need-driven initiatives.

Deregulation of public service monopolies; which probably is the most important service innovation source, initially founded to decrease cost of public services but when the market is functioning, a never ending flow of competition-driven innovations will occur.

The law on freedom of choice for health and social care services is also a political initiative not for service innovation in the first place, but has resulted in numerous service innovations.

Innovation procurement is a new initiative which probably will lead to service innovations by the large buying power in public procurement that can release such ideas. The historical way of working focuses on lowest price and proven solutions, and hence hampers innovative offers that can fulfill societal needs better, create new jobs and new export possibilities. The new initiative on 24 mSEK for 2011 and 9 mSEK for each of coming years will go to improved knowledge and changed attitudes at public actors to strengthen the demand of new and better solutions as a driving force for innovation. The initiative is well in line with the Innovationsupphandlingsutredningen and VINNOVA will have the responsibility to implement the initiative, on top of its efforts on a smaller scale already going on.

ROT - Tax reduction for renovating and improving existing houses, has created a market for innovative suppliers.

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33 This assignment has been allocated 5mSEK for the next four years and continues together with Statistics Sweden and VINNOVA on developing new indicators.
34 Innovationsupphandlingsutredningen (The innovation procurement inquiry – available in Swedish only), SOU 2010:56
**RUT** - **Tax reduction for private households, using cleaning, maintenance and laundry**, has created a number of innovative B2C suppliers in a market where only B2B suppliers could exist.

**Reduced VAT on restaurant and catering services**, is mainly a job creation policy, but might lead to new service innovations triggered by larger volumes and better economy.

Improvements in framework conditions are also increasing and we have seen a few of which several are based on the digitalization of infrastructures.

**E-Government, national e-health**, include programs for 24h Authorities and a whole new interface with its customers.

**The digital agenda for Sweden** support the exploitation of opportunities created by making public authorities' databases more accessible and hence let small and medium sized ICT companies innovate and grow business. An agenda for a greener public administration has also been launched. Within the program **Var dags IT** a call has been launched to support entrepreneurship within the cultural and creative industries and to increase competitiveness and ability to innovate.

**Broadband strategy for Sweden**, will probably lead to a number of new service innovations by an ambitious goal for household access to broadband throughout the country.

**Evaluations of initiatives, measures and other service innovation support**

There are a number of more general evaluations covering aspects of support for service innovations. In 2009 The Confederation of Swedish Enterprise, together with Almega and Teknikföretagen, carried out a mapping study of service research and found out, among other things, that the service area is not enough scientifically studied when it comes to research that should be able to promote a service oriented policy and entrepreneurship within the service area. The study noted that this should be looked deeper into as part of the forthcoming national strategy for service research. This is still an issue on the political agenda as service research in Sweden has not been recognised as having such a quality that it should have increased public financing.

Last year a literature study on competences supporting service innovation was carried out and published by VINNOVA. The study identifies the most central

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35 Swedish for *Every day IT*

36 Kartläggnings av forskning om tjänster (Mapping of service research – available in Swedish only), Svenskt Näringsliv 2009

37 Competences supporting service innovation – a literature review, by Annika Schilling, VINNOVA VR 2011:13
competences organisations and their collaboration partners need in order to be successful in service innovation. It is also a broad evaluation and it focuses on what the literature says about competences for service innovations.

Service innovations in the public sector have been studied as a part of VINNOVA’s government assignment 2011 and the report \(^{38}\) concludes that the knowledge level about service innovations in the public sector is low and that awareness raising efforts have to be done. New arenas have to be created and the interaction between research and practice must be improved. Also the knowledge about how to organise innovation work in the public sector should be increased, as well as the needs of the users and what it takes to develop operations with the users in focus.

How to organise and manage the development of service operations is an underrated research area compared to similar research about the manufacturing industries. In a study of several cases \(^{39}\), the needs and challenges of service companies on how to organize and manage the service development was documented. Major findings including the fact that service development is more difficult to define, describe, visualize and evaluate, but also that it often occurs in practice between the employee and the customer, and hence how to utilise the innovation potential that the employees have. The evaluation also concluded that we have to learn more about how services are developed and innovated before we can increase support and design initiatives to promote service innovations.

Another broad service evaluation was published last year by VINNOVA on how service innovations are supported in their programs and calls \(^{40}\) and found four areas that need to be developed further; 1 terminology and use of language, 2 assessment, monitoring and indicators, 3 types of initiative and 4 marketing. Many program and call texts use language which, above all, favours technical innovation and manufacturing (more information on this study will be found later under the heading Gaps and issues related to the emerging service innovation policy - Language and indicators).

\(^{38}\) Tjänsteinnovationer i offentlig sektor (Service innovations in the public sector – available in Swedish only), by Karin Hovlin, Sofie Arvidsson, Mikael Hjort & Anders Ljung, VINNOVA VR 2011:12

\(^{39}\) Utmaningar och kunskapsbehov – om innovation, ledning, och organisering i nio olika tjänsteföretag (Challenges and knowledge needs – available in Swedish only), by Lucia Crevani, Kristina Palm, David Sköld & Mats Engwall, VINNOVA VR 2009:10

\(^{40}\) Tjänstebaserad innovation (Service based innovation – available in Swedish only), by Irene Martinsson, VINNOVA VR 2011:01
C. CHECKLIST OF POLICY MEASURES

The illustration below summarises the policies identified above according to the strategic themes of EPISIS.

<table>
<thead>
<tr>
<th>Policy</th>
<th>New types of innovation actors, novel types of innovation and innovative business solutions</th>
<th>Service innovation related competencies and capabilities</th>
<th>Markets and infrastructure as a driver of service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulation of public service monopolies</td>
<td>- Privatisation programs; e.g. for education, health and social care, public transportation, post &amp; telecom, broadcasting &amp; TV, electricity supply, pharmacies, social insurances and other social services</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Research financing and calls</td>
<td>- Creative industries, Challenge-driven innovation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Traditional calls; e.g. Winning service work by user-driven innovation, Managing and organising for innovation in service firms, and Business Models</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The law on freedom of choice</td>
<td>- LOV; e.g. education, health care</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Public procurement</td>
<td>- Innovation procurement; e.g. precommercial procurement and catalytical procurement</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Tax incentives</td>
<td>- Tax deductions; e.g. ROT &amp; RUT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>- VAT deductions for restaurant and catering services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Government</td>
<td>- Internet for delivering government information and services to the citizens; e.g. 24h Authority, e-health strategy</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Digital agenda</td>
<td>- ICT for everyone; Digitization Commission, Re-use of Documents from Public Administration, IT for a greener public administration, Every day IT</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Broadband strategy</td>
<td>- Broadband access; Broadband Forum, Goal for household access</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Innovation cheques and coaches</td>
<td>- Raise the innovation capacity in SMEs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>National Innovation Council</td>
<td>- A council for innovation and quality in the public sector</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
D. FUTURE DEVELOPMENTS AND SERVICE INNOVATION POLICY NEEDS

VINNOVA’s contribution to the new research and innovation bill\(^1\) has been quoted earlier in this report, and includes a number of novel service innovation support initiatives that might materialise as policy measures in the future. They are:

1. Innovation procurement
2. Strengthening service research
3. Collaborative arenas for exchanging knowledge
4. Vouchers for service innovation and service design
5. Increased mobility between the practical sphere and academia
6. Innovation Labs in universities
7. Commercialisation of service research
8. Living Labs, test beds and demonstrators with Sweden as a test market
9. Vouchers to enable the export of service innovations

Also societal challenges as a driver of specific service innovation efforts have been introduced. Challenge-driven innovation\(^2\) is the new overall strategy for VINNOVA where all kinds of innovations could be addressed. This is a way to include service innovations, stand alone or embedded, in any of the identified challenges. VINNOVA has focused on four social challenges which drive the development of innovations with international potential and they are:

1. Sustainable and attractive cities
2. Health, wellbeing and medical care
3. Competitive industry
4. Information society 3.0

VINNOVA also have suggested focused initiatives in six areas, taking its point of departure from the social challenges, on how to stimulate new ways of creating growth and employment based on research, renewal of Swedish industries and increased demand of innovative products and services. The six areas are:

1. Clear responsibility for utilization of research results at the universities
2. New cooperation programs between academia and industry
3. Infrastructure for verification, test and demonstration
4. Increased research and innovation in SMEs
5. Strategy for participation in research- and innovation programs within EU
6. Program stimulating public procurement

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\(^1\) Behov av kunskap och kompetens för tjänsteinnovationer (Need for knowledge and competence for service innovation - in Swedish with an English summary), VINNOVA 2011-11-15

\(^2\) The call during 2011 attracted 635 applications which is a new all time high for VINNOVA for a single call.
VINNOVA has got the assignment from the government\(^{43}\) to lead the development of innovation procurement\(^{44}\), including innovation-friendly procurement and pre-commercial procurement, which will take us from focus on existing solutions in the procurements to a number of innovative services for the future.

In the policy development of The Swedish Agency for Economic and Regional Growth there are some upcoming initiatives. In the area of health and social care, development checks are being prepared to be issued. Within the cultural and creative industries there will be incubators focusing on service based offerings. Early 2012 the agency will launch a new program for regional innovation and cluster. It will be geared towards a much broader innovation scope compared to earlier initiatives and will now definitely include service development, further transformation in public operations and a strong focus on commercialisation.

Almega (the employer and trade organisation for the Swedish service sector) also recently provided suggestions\(^{45}\) for increased value creation in the service sector as an official contribution to the coming research and innovation bill. The suggestions are:

1. Strengthening research supporting service innovation for increased growth and global competitiveness for Swedish companies
2. Raise service innovation to a strategic and cross-industry innovation platform
   a. The platform should include program initiatives and demonstrators
   b. The platform should create a national structure for cooperation between academia and business in service research
3. Develop the framework to support service innovation
   a. Increase possibilities for commercialisation of service research
      i. Go for service incubators
      ii. Widen the scope for the innovation offices also including service innovations
      iii. Introduce economic incentives in the resource allocation system to increase cooperation between academia and business
   b. Reform the tax system for the service society and the globalised economy
      i. Open up for depreciations of immaterial investments, e.g. internal company education, software and R&D

\(^{43}\)Government Inquiry; Innovationsupphandling (Innovation procurement – available in Swedish with English summary), SOU 2010:56
\(^{44}\)Innovation i offentlig upphandling (Innovation in public procurement – available in Swedish only), VINNOVA VI 2011:13
\(^{45}\)Ökat värdeskapande – för global konkurrenskraft i svenskt näringsliv (Increased value creation – for global competitiveness in Swedish industry – available only in Swedish), Almega 2011.
ii. Introduce innovation checks to SMEs to initiate cooperation with academia

iii. Reduce the tax wedges and the marginal effects in the tax system

   c. Develop the market for increased service innovation
      i. Develop the law on system of choice in the public sector to apply in more service industries
      ii. Develop innovation procurement as a tool
      iii. Support service export by focused initiatives towards growing service industries

IVA - The Royal Swedish Academy of Engineering Sciences has provided a contribution to the upcoming innovation bill with a report called Innovation plan for Sweden\textsuperscript{46} including a vision, concrete proposals and a work process that will lead to a mobilisation around innovation. The proposal covers all kind of innovations, including service innovations, business model innovations, process innovations as well as product and technical innovations.

The suggestions are directed towards several areas:

1. Universities
   a. provide stimulus for a fully developed knowledge triangle (education, research and innovation
   b. give the universities the opportunity to fully own and develop their innovation process

2. Maintaining competence
   a. more effective matching of the education supply with the competence demand in the job market
   b. a clearer investment perspective for education

3. Taxes
   a. new tax deductions, e.g., venture capital and R&D deduction,
   b. simplifying of existing tax system, as in the case of the “expert tax”
   c. changes to regulations so that those who, in addition to capital, invest time and competence in a company are not at a disadvantage

4. Capital/competence/contacts for business
   a. increased access to venture capital in early stages in the form of “competent capital”, i.e., investors who contribute financially and with experience, knowledge, advice, leadership, networks and coaching
   b. stimulating research and development, particularly within SMEs
   c. increasing innovation procurement in the public sector at the state,

\textsuperscript{46}Innovationsplan Sverige – underlag till en svensk innovationsstrategi (Innovation plan Sweden – foundation for a Swedish innovation strategy - in Swedish with an English summary), IVA 2011
county and municipal levels in a way that promotes procurement of new solutions from SMEs
d. supporting SMEs more effectively in their internationalisation process
e. making it easier for businesses to employ foreign experts and researchers
f. guaranteeing the effectiveness of systems for intellectual property protection
g. increasing awareness about the significance of design
h. stimulating investment in leadership for innovation

5. Public administration and the public sector
   a. measures to give agencies a more clearly-defined mandate to drive change and innovation

6. Government investment in the innovation system
   a. creation of a Prioritisation Council closely linked to ensure that the Government’s prioritisation process is coordinated, efficient and transparent

7. The regions
   a. analyse the competitive strength of the regional economy
   b. introduce effect measurement for companies in cluster initiatives
   c. create a regional innovation index
   d. develop a model of on-going consultation between the national and regional levels that can, for example, be implemented within the framework of the Prioritisation Council’s work.

Gaps and issues related to the emerging service innovation policy

We lack a proper language to capture and convey the logic and characteristics of service innovations. As a consequence of the fact that our view on innovation is founded on and for a long time was characterised by what was recognized as difficult knowledge and competences at the time innovation was formulated as a concept for crucial renewal of industrial development, our language of service development is poor and contains too many concepts and expressions borrowed from the industrial paradigm and not relevant to describe and conceptualise service innovations.

We still use too many concepts from traditional industrial development to describe and evaluate service innovations, like patents, technical innovation level, R&D-budget and R&D organisation, etc. to try to capture the service innovation process. These misconceptions can for example be found in proposals, calls, evaluations and financing of research and development in innovation for services as well as in governmental publications.
VINNOVA has evaluated how service innovations are supported in their programs and calls\textsuperscript{47} and found four areas that need to be developed further; 1 terminology and use of language, 2 assessment, monitoring and indicators, 3 types of initiative and 4 marketing.

Many program and call texts use language which, above all, favours technical innovation and manufacturing. A broader view on innovation might attract more actors working with service based innovations. Assessment and monitoring of projects as well as indicators can be developed to better measure the results from service based innovations. Initiatives are often seen as innovation processes based on research but to better capture service based innovations, the scope should be designed to include for example open innovation initiatives. Marketing of calls and other initiatives are mainly focused on technically based organisations. To be able to reach actors focused on service based innovations, specific marketing activities following alternative channels has to be developed.

A proper language and relevant indicators are vital tools to be able to support service innovations by policy measures, as well as other support measures. This is one of the most basic gaps that hamper the development of service innovations.

\textsuperscript{47} Tjänstebaserad innovation (Service based innovation – available in Swedish only), by Irene Martinsson, VINNOVA VR 2011:01