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The futures of the service economy in Europe: A foresight analysis[☆]Faïz Gallouj^{a,*}, K. Matthias Weber^b, Metka Stare^c, Luis Rubalcaba^d^a University Lille 1, CLERSE-CNRS, France^b Austrian Institute of Technology (AIT), Innovation Systems Department, Austria^c University of Ljubljana, Faculty of Social Sciences, Slovenia^d University of Alcalá, Applied Economics Department, Spain

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ABSTRACT

The paper presents a signalling exercise with a view to trace emerging dynamics in the development of the service economy in Europe. These dynamics have a direct influence and will trigger off service innovation. Firstly, the drivers of the service economy are presented, many of them fostering service innovation as a way to face new societal and business challenges. Secondly, emerging developments are discussed to identify the most promising service innovation dynamics. Finally, foresight scenarios demonstrate possible future trends of the new service economy. These scenarios are based on a methodology developed and applied in the context of an EC-funded project on Sectoral Innovation Systems. This exercise is performed for the overall set of services activities although a particular focus is given on activities such as knowledge intensive business services and distributive trade services. Results indicate that emerging developments are those related to the reconciliation between industrialisation and customisation associated with ICT, ageing population, sustainable development and service regression and extension dynamics. The cases of knowledge intensive services and distributive trades have shown how different drivers and emerging developments are interrelated and establish different scenarios for future development.

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1. Introduction

As the service component of production and consumption of the European economies continues to grow, alongside with the increasing share of workforce employed in service activities, new developments are emerging that will drive and shape service innovation and consequently also the future of service economy. Both are inextricably linked since the future service economy will critically depend on innovation in service sectors and service activities throughout the economy and society.

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More than ever services are interrelated and integrated to all economic activities, public institutions, civil society organisations and individuals' life (European Commission, 2013a). In this sense, signalling the drivers that will influence service economy includes not only the anticipation of changes in service industries but also the indication of possible socioeconomic transformations where services and service systems will play a key role, due to the complex interlinkages they create among stakeholders. Most of those drivers of change are of general nature influencing service economies on a global scale, while some of them will have larger impact in Europe. Given the dominant weight of services in economic and social tissue, futures studies of service economy are indispensable to inform the stakeholders about the sources of changes in socioeconomic environment and also to induce policy makers to respond to them. All the more so if we concur with the assessment that in the present period the pace of social change

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is overtaking the pace of radical technological innovation (Phillips, 2011). This pace is revealed in service dynamics affecting sectors such as the IT outsourcing services (Sharma, 2014), the mobile service platforms (De Reuver, 2011) or the transport industry (Godet, 1994, 2006).

The aim of the article is to explore emerging developments in the service economy. Terminology and conceptual and methodological approaches to dealing with future and emerging developments are fairly diversified (Naisbitt, 1982; Slaughter, 1996; Martin and Johnston, 1999; Miles, 2010; Saritas and Nugroho, 2012). While it is common to refer to trends and drivers as main determinants of change, there is a lot of confusion about the use of these terms. Kuosa (2010) has suggested a framework to systematize the language for understanding the future. He distinguishes first of all weak signals, which are highly uncertain, tacit and subjective indications of potential future developments that are foreshadowed by rather isolated present-day observations. Secondly, drivers are a more structured form of information that allows inferring causalities but is still subject to a significant degree of uncertainty. Trends are the most explicit and objective form of information, because they are built on past observations and their regularities.¹ All three types of information about the future can be either disruptive or promoting the current situation; a distinction that is very important when it comes to analyzing the consequences and impacts of trends, drivers and weak signals.

This framework may be a very useful one, but it is not uncontested. Saritas and Smith (2011), for instance, use a very different way of distinguishing trends and drivers, by referring to the extent to which a development can be influenced by the actors in a certain area or not. From a systems perspective, an actor can exert an influence on the developments within a specific system boundaries (“drivers”, according to Saritas and Smith), but not on the wider external socio-economic developments that also influences the system change (“trends”), because they are well beyond the influence of the actors in a system.

For the purpose of exploring emerging developments in the service economy, we build on Kuosa (2010), but refer mainly to the notion of trends and drivers. We also follow the argumentation of Vecchiato and Roveda (2010), who have been investigating the impact of drivers of change on sectors and the position of corporate organisations in these. They distinguish state uncertainty (about the emergence of certain drivers) and effect uncertainty (about the impact of certain drivers).² This distinction is important in our context as we are particularly interested in the impact or effect of certain drivers on the future service economy. Drivers are seen as shaping the development of the system under study, i.e. the service economy. Trends, following Kuosa (2010) are then nothing else than the more certain and objective among the drivers. The more uncertain these drivers are (and thus the less trend-like) the more diverse are the possible patterns of development of the system under study, thus pointing to the need to develop a range of scenarios.

¹ Emerging developments are then just a specific form of higher-order driver with likely major or even pervasive effects (Kuosu, 2010).

² Vecchiato and Roveda (2010) also distinguish response uncertainty, i.e. the uncertainties associated to the strategic responses of corporate organisations, but this is less relevant in our context. See also Milliken (1987).

A methodological consequence of Vecchiato and Roveda (2010) is what they call “putting the drivers first”, i.e. to start a forward-looking activity with an exploration of drivers, and in particular with the exploration of the transformative implications that these drivers may have on an industry and thus for the strategic options of a corporate organisation (“anticipatory approach”). Their approach stresses the strategic importance of potential discontinuous changes and can be contrasted with a trends-based approach (“sustaining approach”) that relies on extrapolation and trend analysis rather than on the potential for discontinuous change.

Applied to an exploration of emerging developments in the service economy, a further specificity needs to be taken into account, because the emerging development patterns may vary quite significantly across service sub-sectors, depending on the specificities of these sub-sectors. This is why we apply the methodological element of scenario development to the exploration of such specific sub-sectors, even if we can build on joint drivers and emerging developments in the service economy at large. Two such subsectors are explored in more detail, namely Wholesale and Retail Trade (WRT), and Knowledge Intensive Business Services (KIBS).

There is an important link with innovation to be considered. The service economy at large, or specific sub-sectors thereof, such as KIBS or WRT, can be regarded as innovation systems in the sense of Malerba's (2005) Sectoral Systems of Innovation and Production (SSIP). The scenarios thus correspond to the future projections of such SSIP. With regard to innovation, this implies that each scenario describes a different future manifestation of the service sub-sector in question, in which specific service innovations are realized. Each scenario is associated with (i.e. it favours or requires) different types of specific innovations in services. Some of these innovations may be ‘safe bets’ in the sense that they are likely to arise in different scenarios of that specific subsector (robust innovations), while others are specific for certain scenarios only.

Alongside changes in the conceptualisation and scope of future studies, the evolution of methodological approaches also reflects the increasing complexity of the phenomena and demonstrates the progress from simple tools and techniques, to more sophisticated methods, such as network analysis and systemic thinking. Methodological approaches to future studies differ along several characteristics, but major distinction is between qualitative and quantitative methods where the former rely on intuition, invention, hypothesis, and judgment. The selection of method for individual future study depends on the context, issue studied, budget, time available, etc. (Puglisi, 2001) in a context dominated by an eclectic flexibility in methods and techniques used especially by American futurists (Coates, 2010). Our conceptual and methodological approach to anticipating the futures of service economy is limited to identifying the main drivers that will underpin the evolution of service economy and to illustrating the combinations of those drivers that lead to trends in service development in the near future. The methodological approach used in the paper is based on expertise and qualitative analysis, detection and scanning of emerging issues that will shape service economy in future. The selection of drivers and trends used in this paper has been the result of the authors' research work within FP7 project on services and services innovation (ServPPIN, 2011), including 45 case studies

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