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Two decades of research on innovation in services: Which place for public services? ☆

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ABSTRACT

Service innovation was neglected for a long time, but by the first years of this century it was clear that some maturity had been reached. Innovation in the public sector has been even more neglected in the mainstream of innovation studies. This paper explores the scope for fruitful integration of work on this topic into innovation studies more generally. It examines four different theoretical perspectives used in studies of service innovation: assimilation, demarcation, inversion and integration/synthesis. Each of these throws light on particular issues confronting public services innovation, and we see that innovation in this sphere is highly diverse and that it does often display special features. But we conclude that these features do not constitute a strong case for studying public service innovation as if it were something *sui generis*, let alone continuing to neglect it. Instead, the case is made for developing more integrative views of innovation.

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1. Introduction

Innovation studies rapidly grew as an area of research over the last quarter of the twentieth century, as has been discussed at length by authors such as Fagerberg (2004) and Godin (2010). Several handbooks have sought to provide overviews of the field (for example Dodgson and Rothwell, 1994; Fagerberg, 2004), and there are numerous reviews of specialised topics such as the economics, sociology, and measurement of innovation, as well as huge bodies of work on innovation management and policy. It has been often remarked that research has been dominated by a focus on manufacturing industry, and in particular by rather “high-tech” industries such as aerospace, automotive and

pharmaceuticals. Service innovation was neglected for a long time, but by the first years of this century it was clear that some maturity had been reached (Miles, 2000), to the point that a *Handbook of Innovation and Services* was published in 2010 (Gallouj and Djellal, 2010). Innovation in the public sector has been even more neglected in the mainstream of innovation studies, and this paper will attempt to explore the scope for fruitful integration of work on this topic into innovation studies more generally.

In addition to public services (and more generally non-market services) being more or less monopolies that are largely free from competitive pressures, several other reasons are habitually advanced for their having little to do with innovation. They are under political influence, which puts them on the margin of the rationalistic economics of innovation.¹ They often suffer from lack of resources, of resources that can be devoted to risky innovation projects,

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¹ Even worse, in some circumstances, this influence is highly associated with clientalism and outright corruption, phenomena that are regularly discounted when it comes to market services.

and of incentives for innovators and intrapreneurs. There is little pressure from consumers of the services, or else this pressure is dispersed by the rigid bureaucratic structures that induce inertia in the public sector. Professional groups like doctors and teachers may impede innovation that undermines their privileged positions. And so on. . . Exceptions of course do have to be recognised, especially where basic research in Universities and laboratories can be a source of new knowledge and creative ideas as to how to apply it – though the large-scale uptake and further development of such applications is generally seen as the preserve of private firms.

But, conversely, many arguments qualify or contradict this negative assessment of innovation in public services, and imply that we should raise their status in the field of service innovation studies. Here is a brief review of some of these arguments:

- It is paradoxical to believe that public administrations are ambivalent: eager to support innovation, but ignoring innovation on their own behalf. Indeed, the upsurge of activity around e-government indicates that many regimes are intent upon using new technologies to improve internal processes and links to their citizens. An intriguing hypothesis would be that an administration that is innovative for itself will be more effective in supporting innovation for other economic agents. We could suggest comparative analysis of the relationship between efforts to modernise public administration (through e-government and other initiatives) and those aimed at innovation policies more generally.
- Within public services, there are sectors whose innovation activities are indisputable and well documented in literature of various kinds – though not always in innovation studies (Rosenberg and Nelson, 1994; Djellal and Gallouj, 2007). In addition to Universities and public research laboratories, we might mention health services, public broadcasting services, and the security and defence services.
- The perimeters of public services and private services are fluctuating in space and time. In fact there has often been competition between public and private services, varying over countries and periods. Some highly innovative private services – such as telecommunications – were historically state-owned enterprises until the last quarter of the twentieth century in many Western countries. The design and delivery of some public services is outsourced to private providers or provided through public–private partnerships (PPPs); and some back-office functions in public services may be outsourced or subject to competition from various providers.
- The economic crisis and demographic changes are also an important factor for innovation in public services, since they lead to pressures for rationalisation of production as well as some efforts to reduce social expenditure – while meanwhile new or more intense social demands are emerging around, for example, eldercare and environmental issues.

There have been several recent reviews of the literature on innovation in service industries (e.g. Gallouj and Djellal, 2010; Miles, 2010). We will examine how the major studies

conducted during two decades of research on innovation in services explicitly address, or can be extrapolated to address, innovation in public services. We also seek to identify shortfalls in this literature and determine new avenues of research and action.

The field of “service innovation studies” involves four different theoretical perspectives: assimilation, demarcation, inversion and integration (cf. Gallouj, 1998; Gallouj and Weinstein, 1997; Coombs and Miles, 2000; Droegge et al., 2009, and other authors cited in the latter study). These go under slightly different labels for different authors, but the common aim is to reflect different conceptions of the relationship of service innovation studies vis-à-vis the established field of innovation studies, with its emphasis on manufacturing sectors and their products (see Fig. 1). The *assimilation* perspective analyses innovation in service industries as essentially being the same as innovation in manufacturing industries, with service innovation then being much like goods innovation (indeed, services are just “intangible goods”). It focuses on their relationships with technological systems. This latter emphasis means that this can also be seen as a *technologistic* perspective (though, as we shall see, one line of research argued that service industries innovation trajectories around new technologies tend to be distinctive ones). Insofar as it mainly focuses on innovation adopted from manufacturing sectors, the assimilation perspective is also a *subordination* one, where it is new technologies developed in manufacturing that are assimilated into service industries.

The *differentiation* (or *demarcation*) perspective focuses on services’ specificities. Often inspired by case study work in service marketing and operations management, and in new service development, it often claims to identify innovation activity where the assimilation or technologist gaze perceives nothing. It stresses the different forms that innovation can take, and the distinctive organisation of innovation processes in service industries.

The *inversion* perspective (Gallouj, 2010) could be seen as the “revenge” of the service sector. In contrast to accounts that portray service industries as lagging sectors, whether this is a matter of being like low-tech manufacturing or something more distinctive, the inversion approach sees (some) service industries as being sources of innovation across the whole economy. One such role can be played by large service firms that mobilise their suppliers (e.g. in retail and telecommunications), but more often this perspective emphasises the active role of certain KIBS (Knowledge-Intensive Business Services) in other sectors’ innovations. Consultancy, design, engineering, information technology and Research and Development services can be important inputs to innovation among their clients.

Finally, the *integrative* or *synthesis* perspective seeks to provide the same analytical frameworks for both goods and services products, for manufacturing and service industries, and for both technological and non-technological forms of innovation. From this viewpoint, we can draw on the points of similarity and of contrast across such dichotomies in order to deepen our understanding of innovation processes and practices. This is seen to be of great importance in a world where manufacturers are purportedly “servicising” and service firms “productising”, where

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