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**For immediate release**

## **Are new EU Members more innovative in services sector?**

*Expert Group to advise Commission on how to foster innovative start-ups in this sector*

At a first glance, new EU Member States such as Latvia, the Czech Republic and Romania seem to outperform many established European economies - including France, Germany and the UK - in terms of innovation performance in their services industry. These are the surprising results of a recently published TrendChart report, which also shows that traditional indicators for measuring innovation do not apply very well to the services sector.

The 2006 TrendChart report: *Can we measure and compare innovation in services?* was written by Minna Kanerva, Hugo Hollanders and Anthony Arundel, researchers at UNU-MERIT in The Netherlands, a joint research centre of United Nations University and Maastricht University. The report was funded under the European Commission's "European Trend Chart on Innovation" (Enterprise Directorate-General).

Most of the currently available innovation indicators, such as R&D, patents, total innovation expenditures and innovation sales shares were primarily designed to cover technical innovation in the manufacturing sector. A major question is therefore: Can innovation in the services sector be adequately measured through indicators that were largely developed to measure technical innovation in manufacturing? The TrendChart report suggests an answer of 'partly'. A second major question is: Can we compare service sector innovation performance across countries? The answer to this question is 'no', or at best, 'with great difficulty'.

The TrendChart report develops the Service Sector Innovation Index (SSII), a composite indicator built using a set of 24 indicators, of which 22 are taken from the 3<sup>rd</sup> Community Innovation Survey, divided over seven themes: human resources, innovation demand, technological knowledge, non-technological changes, sources of knowledge, commercialisation, and intellectual property.

However not all new EU25 member states are doing so well. Sweden and Luxembourg perform best on the Service Sector Innovation Index (SSII), while Bulgaria and Hungary come last. Some of Europe's better performers on the European Innovation Scoreboard (EIS) perform poorly on the SSII, including Denmark, Austria and the Netherlands. Some new member states of the European Union perform very well. Especially Latvia, the Czech Republic and Romania outperform many more developed countries like France, Germany and the UK. The report suggests that differences in the nature of innovation in the manufacturing and services sector can explain why some of less performing countries on the EIS ("lagging countries") perform best on service sector innovation performance. Innovation in services relies much less on the accumulation of capabilities, permitting service firms to move much more rapidly to best practice than manufacturing firms. Innovation indicators measure flows in the services sectors, but a combination of flows and stocks in the manufacturing sector. Service sector innovation flows could be very large in lagging countries with poorly developed

services sectors, as firms rapidly catch up to best practice. Service sector innovation flows could be small in countries with highly developed service sectors already close to the frontier of best practice.

A new expert group set up by the Commission to help European countries boost innovation in the services sector started work on 26 September 2006. The group will assess whether existing innovation policies are “service friendly” and propose policy recommendations for new actions to foster innovation in services. The expert group is also expected to come up with concrete suggestions for the further development of the proposed pan European platform to better link universities, entrepreneurship and finance, in order to foster innovative start-ups in the services sector. The platform was announced in the Commission’s recent Communication on Innovation: *Putting knowledge into practice: a broad-based innovation strategy for the EU*.

The following experts are participating in the group: Professor Jeremy Howels, PREST, University of Manchester. Prof Knut Blind - Fraunhofer Institute for Systems and Innovation Research, Mr Uffe Bundgaard-Jorgensen - CEO InvestorNet, Mr Pim den Hertog - Dialogic, Mr Hugo Hollanders - MERIT, University of Maastricht, Professor Örjan Sölvell - Stockholm School of Economics, Mrs Tiina Tanninem-Ahonen - Tekes, Mrs Corinna Schulze - IBM Europe.

The Commission’s Communication on Innovation can be downloaded at:  
<http://www.europe-innova.org/exportedcontent/docs/6/6206/en/EN%20502%20-%20original.doc>

The TrendChart report can be downloaded at:  
[trendchart.cordis.lu/scoreboards/scoreboard2006/pdf/eis\\_2006\\_innovation\\_in\\_services.pdf](http://trendchart.cordis.lu/scoreboards/scoreboard2006/pdf/eis_2006_innovation_in_services.pdf)

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**About UNU-MERIT**

(United Nations University – Maastricht Economic and social Research and training Centre on Innovation and Technology)

[UNU-MERIT](#) is a joint research and training centre of United Nations University, based in Tokyo, Japan, and the University of Maastricht in The Netherlands. It integrates the former UNU-Institute for New Technologies (UNU-INTECH) and the Maastricht Economic Research Institute on Innovation and Technology (MERIT).

UNU-MERIT provides insights into the social, political and economic contexts within which innovation and technological change is created, adapted, selected, diffused, and improved upon. The Institute’s research and training programmes address a broad range of relevant policy questions dealing with the national and international governance of innovation, intellectual property protection, and knowledge creation and diffusion.

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Established in 1976, [Universiteit Maastricht](#) (Maastricht University) is the youngest university in the Netherlands. It has gained a reputation at home and abroad for its unique “Problem-based learning” approach. Approximately 12,000 students and 3,250 staff currently study and work within the University’s seven faculties.