**Are you Being Served?: The Importance of Service Innovation in Wales**

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**Introduction**

Innovation is the “dynamic and competitive economic force” (United Nations, 2015) that will help the world emerge from the shadow of the global pandemic (Am *et al.*, 2020). Innovation is defined by this study as developing new or improved products, processes and services (Baregheh, Rowley, and Sambrook, 2009), as an essential tool for growth globally. Understanding how different parts of the global economy use innovation is important for creating sustainable growth in line with UN Sustainable Development Goal 9: Industry, Innovation and Infrastructure (United Nations, 2015):

“To sustain the planet and its future population of 8.5 billion by 2030 innovation and creativity will be vital to driving more efficient and better use of resources.” (Denoncourt, 2020, p. 199)

Generating solutions for these types of grand challenges requires large-scale innovation efforts, at the level of new and existing product development and service development, but also more broadly at the level of business models, social change, and structural systems (Smith, Voß and Grin, 2010). However, in the geographical region of Wales historical issues relating to innovation and productivity have been exacerbated by the new socio-political landscape created by Britain’s exit from the EU (Brexit) and the Coronavirus pandemic, which has resulted in a new reality where solutions to economic and health concerns are presented as a challenge that innovation can help solve. Understanding how Welsh industry supports these broader national challenges through innovation is important for future policy and practice.

**Objective**

In order to address this need for Welsh companies to innovate, this research set out to answer the following research question using the case of Welsh medium-sized enterprises;

How is innovation used in Welsh medium-sized enterprises?

**Research Approach**

This study adopted a quantitative research approach. A quantitative approach was selected due to the broad geographical remit of the research question and the need to understand how Welsh medium-sized enterprises are innovating across the entire business population.

At the time of the search, the total accessible population of medium-sized enterprises recorded on the FAME database in Wales was 971, and of this number 580 had a published email address enabling contact under GDPR legislation, which forms the accessible sample. A target response rate of 10-20% aligns with Mertler and Charles's (2010) recommendations on response rates giving the quantitative results a wider relevance (Singh, 2007; Lampard and Pole, 2016). The survey was then distributed via email with data captured through the Qualtrics survey software and follow-ups sent over the course of a 3-month period in 2019 with data fully anonymised before analysis yielding 60 complete responses.

**Discussions**

The results of the survey were analysed comparatively using SPSS and indicated a significant difference between the variables of the response companies (91%) using open innovation and service innovation, and those companies using closed innovation (51%) in combination with service innovation. This indicates a basic assumption that more Welsh medium-sized enterprises taking part in open innovation activity focus on service innovation than those using closed innovation. The reason for the result could be the potentially wide definition of service innovation which Tether and Tajar (2008) highlight as problematic in their quantitative analysis of UK CIS data.

Respondents were also asked about the presence of a strategy for innovation in their organisation and this was then tested for significance against the particular focus of innovation in their organisation. The results also show that organisations that do not have an innovation strategy are more likely to use service innovation (69.7%). While a smaller percentage of the sample (44%) who indicate the presence of an organisational strategy for innovation are actually using service innovation. The basic assumption is that service innovation is not reliant on an operationalised innovation strategy.

**Conclusions**

This study can draw several inferential conclusions about innovation strategy and methods of innovation in relation to the Welsh economy supporting the answering of the central research question. The analysis of data draws an interesting, inferred relationship between open innovation (innovation with external partners) and service innovation which is an important finding for this study. The relevance of this inferred relationship is important for future innovation funding and support. The current funding programme from Welsh Government typically involves funding early-stage technology research and new product development while the results of this study illustrate the importance of funding more diverse methods of innovation, such as service innovation using an open innovation methodology.

Further analysis of data relating to the focused areas of innovation within Welsh medium-sized enterprises also provided interesting insight into the central research question. The data also illustrated the importance of innovation strategy and service innovation, again broadening the case for more funding and understanding the importance of the contribution that service innovation makes to Sustainable Development goal fulfilment in Wales.

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