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UDC 338.46:001.895

**THEORETICAL ASPECTS OF THE ANALYSIS
OF THE NATURE OF INNOVATIONS IN THE SPHERE
OF SERVICES**

ABSTRACT. Nowadays the analysis of problems of innovative development in the service sector is given primary importance in scientific research. This article considers the content and features of the innovative process in the services sector. As a result of studying the development of the theory of innovation, three stages are singled out: formation of the fundamental basis of the theory; development of basic innovative ideas; development of innovations in the formation of the economy of knowledge. The main theoretical approaches within the modern theory of innovation are presented. It is proved that the need to create conditions for the introduction of innovation on the service market is a condition of the social and economic stability of society. The efficiency of the service sector is presented in two aspects: as internal and external efficiency. The internal efficiency of innovations is analyzed from the point of view of rational use of resources. The main criterion of internal efficiency is the norm of return upon investments in production in a service. The external efficiency of innovations of services in a system of public reproduction is considered in the following directions: training of human capital; increase in the standard of living of the population; employment increase; rational usage of resources; increased efficiency of public reproduction. Thus, innovative development in the services sector is presented by an improvement in human capital and an increase in the efficiency of human capital. A condition of efficient innovation in the service sector is accomplishment by following a universal strategy of innovative development. The service sector is marked by considerable potential and dynamic growth in the research volume.

KEY WORDS. Innovative economy, innovation, service sector, innovative activity.

One of the most important complex factors of economic growth, marketability of domestic products, and security of the country at the current stage of its development is innovative development. Market-oriented principles of economics stipulate the need for innovative decisions and training of the scientific and technical capacity of the state in order to begin innovative economic development. The increasing role of innovations is due to the nature of market economics and the need for the transformation of Russian economics in order to follow the line of steady development.

The sphere of application of innovations is the consumer economic sector. Today the level of development of the service sector indicates the level of well-being of the state and its readiness for modernization. According to Eurostat, more than a half of GDP and nearly 3/4 of working places in the EU are achieved through the service

sector; the economic growth and increase in employment in OECD countries in the last 20 years was up to 2/3 due to growth in the service sector[1]. In this situation, the innovative development of service sectors should be a powerful source of economic growth as important as technological innovations in production. The larger proportion of GNP of developed countries globally belongs to the services sector, where the producer is directly linked to the client. Human orientation of this process is socially valuable. Due to this fact, innovation in the service sector is determined mostly by socio-economic and managerial features, not only technical or technological ones. The Russian service sector has less priority, financial and material resources than the industry sector.

In the 2nd half of the 20th century, the integral theory of innovative economics was postulated. Previously, a concept considering technical progress as an accidental process had prevailed. Large-scale technical projects demanding fundamental and applied research played an important role in developing the theory.

«Innovation» as an economic term was first used by an Austrian economist, I. Shumpeter. It had the meaning of changes for the sake of promotion and production of new consumer goods, ways of production and means of transport, new structures of markets and types of production.

I. Shumpeter was the first to classify new combinations of production factors and singled out five modifications in development:

- Application of new means, technological processes or new market support for production;
- Introduction of products of new qualities;
- use of new resources;
- changes in production organization and its material and technical base;
- emergence of new sale markets.

A considerable contribution to the analysis of innovative development of economic systems was made by R. Nelson and S. Winter concerning the theory of economic changes. The major points of the theory are [2]:

1. Knowledge is a new paradigm of management,
2. Technological change is the main generating force of economic growth
3. Innovation is the result of effective interaction of participants of the innovative process.

The national theory of innovation included different interpretations of this category. Scholars of the economic principle of scientific and technical innovation treated innovation as a complex process of creation, distribution and application of a new practical solution for a new public need (or improved catering to an existing one) [3].

The strategy of innovative development of the Russian Federation until 2020 outlines innovation as the introduction of a new product or service onto the market, application of know-how, trying a new business-model, creating a new market. In this case the term «innovation» might be used both to describe the process of creating of new products or markets (it is synonymous with «innovative activity»), and to outline

the result of the process (it is synonymous with «result of innovation» or «innovative product» (service, business-model, technology)). The degree of novelty of a product, a service, a technology, a business-model and a market should be compared to the level of the national Russian market. [4].

For the sake of statistical recording, a broader understanding of innovation is used which implies novelty for the market and the company. In accordance with international standards, innovation is defined as the final result of innovative activity realized through a new or an improved product brought onto the market, a new or an improved technological process applied in practice or a new way to provide social services.

Thus innovations can be described as a result of a complex intellectual or creative process of introducing new products, services, equipment, technology, methods, business-models or organizational structure. «Innovation» is also applied to any improvements enabling cost saving as well as novations making such cost saving possible in the spheres of industry, finance, management, research and other spheres.

In the service sector we may call an innovation a service product, know-how or its elements, a new structure of service activity which is able better to satisfy public needs. Thus innovation in the service sector is the novelty in the service itself, in its production, provision and the behavior of workers. Innovations are not always based on inventions. Some innovations are based on ideas. In this case, it might not even be tangible as such to sell the idea in installments. This idea has changed the economy to a great extent. Innovation is a new asset for the consumer and it should satisfy the needs and wishes of customers. Thus, essential features of innovation are its novelty, economic justification and consistency with the demands of the consumers.

The variety of innovations can be classified according to the following criteria [5].

1. Degree of novelty:

- Basic innovations, representing large-scale inventions, the basis for construction of new generations and courses for development technology;
- Upgrading innovations representing medium-scale inventions;
- Modifying innovations aimed at partial improvement of outdated technology and equipment and organization of production.

2. Object of application:

- Product innovations aimed at production and consumption of new products, services, supplies, half-finished products, components;
- Technological innovations aimed at the creation and application of new technology;
- Process-oriented innovations which serve the building of new organizational structures both within the company and between companies;
- Complex innovations are a combination of different innovations.

3. According to area of application: industry-specific, inter-industrial, regional, company-limited.

4. Reasons of existence:

- reactive (adaptive) innovations, a reaction to innovations by competitors which serves the survival of the company;

- strategic innovations: innovations serving pro-active aims such as to obtain competitive advantages in future

The service sector includes basis and partial innovations. These innovations serve to improve different sides of service activity, reduce the time of service rendering, provide comfort for customers. Basis innovations are the know-how in service structure, catering for clients, which transform the service activity. Partial innovations improve some links and aspects of the service-rendering process.

Major types of innovations in the service sector include:

Technical innovations dealing with the implementation of new types of equipment, facilities, components and technological methods of labor in the service sector. The most prominent trend in the modern service sector is linked with computer infrastructure and IT support which improves work with clients and the process of service providing in general.

Organizational and technical innovations concerned with new types of services, more efficient forms of catering and working standards;

Managerial innovations, aimed at improving the internal and external connections of a company employing methods and techniques of management;

Complex innovations covering simultaneously different aspects of service activity.

Innovative activity aimed at practical use and commercialization of research results for the improvement of a range of products and their quality, for improvement of production technology with its further implementation on internal and export markets.

It should be noted that innovative activity in the service sector is connected with an expected result which causes changes both in company activity and the outer environment [6]. This feature of innovative activity is due to the fact that development of the service sector depends not only on customer-related characteristics of the product but on social factors such as the standard of living, health, economic activity of the population, social tension, development. Thus innovative activity in the service sector should cover not only the sphere of production of goods and consumption of goods in general, but also trace specific characteristics of certain consumers.

For example, an increase in the purchasing power of the population is followed by an increase in requirements for consumer-related characteristics of a service, which causes a company to widen and change its range of services. Development of the service sector transforms the competitive environment and builds new demands for commodities and services which in turn results in implementation of innovations in production process and IT infrastructure.

Transformations within service providers' activity resulting from innovation can be united in three major groups:

- exogenous — caused by transformations in the external environment;
- endogenous — related to requirements of the industry in the process of production, preserving or modifying its functions (stabilizing and modifying functions accordingly);

- reflective — caused by the results of company work in the external environment and bringing internal transformations.

In this case, all three types of transformation are aimed at a services provider's stable and secure activity. If we treat the result of innovative activity as a consequent chain of newly-built values and demands, then all types of transformations can take place.

The organization of innovative activity in the service sector is oriented around several technological patterns influencing the service sector directly or indirectly. The emergence of a new product on the consumer market makes connections between business units in the process of service providing. Thus innovative activity may be defined as implementation of a wide range of novelties concerning the production of new commodities and services, application of new technologies, or/and assimilation of new equipment; usage of new resources; employment of new methods and means of labor and management; development of new markets.

Consequently, innovative activity acts as management support at all stages of the life cycle of a service. The targets of innovative management require the marketing support of innovations, the management of intellectual property, and investment organization of innovations. All this requires construction of a scientific, methodological and theoretical base and development of appropriate tools. Insufficient development of theory and methodology and underestimating the particularity of innovation activity in the services sector cause a considerable decrease in innovation efficiency. They also decrease the competitiveness of a company.

Innovative activity of services providers is interconnected with innovative strategy, which implies a whole body of strategical goals in the long-term perspective, ways of their achievement taking into account the peculiarities of the company and environment. The following principles underlie innovative development strategy:

- A strategy is an ongoing process;
- Complexity of prediction of all necessary activities for getting the required result;
- Implementation of the strategy may lead to alternative results, overturning or casting doubt on the primary strategy;
- The innovative strategy of a service provider implies goal-setting, integrity, the possibility to choose options, continuity, and must provide:
 - A few options based on analysis of their interconnectedness;
 - Viewing the whole cycle of obtaining new services, new technologies and other new objects;
 - Different ways of achieving local and global goals;

Analysis of innovative activity starting from the decision on innovative strategy formation and following the process of innovative activity, because at the stage of strategy formation the information on possible results of development of the services sector is missing;

Thus the strategy of innovative activity of the service sector must ensure firstly the general perspective of service provision on the consumer market; secondly, set

strategy priorities for the transformation of this sector; thirdly, give long-term perspective analysis of the activity of the company; fourthly, build a communication system aimed at selling services; fifthly, build an innovative team with certain responsibility zones; sixthly, allow systematic control of the process of services providing development of the consumer market.

It should be noted that a universal innovative strategy in the service sector must be based on three assumptions: an increase in the research content of the service; intensified innovative activity in this area; an increased role for technological know-how in the service sector [7]. Now the service sector has great potential, an increasing share of research content concerning not only IT services but almost all types of service provided.

Development along the lines mentioned above, in our opinion, should bring about the conditions for broadening the service market, strengthening the competitiveness and advantages of the companies in services sector. In general, the services sector as a source of innovative development of the economy of the country has considerable resources. The further socio-economic development of Russia will depend to a large extent on development innovations in the service sector.

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