

## Expert Insights

## Social Innovation: Pushing the Boundaries for New Value Creation



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Economies are becoming increasingly service-based. A situation has arisen in which even traditional manufacturing businesses are being forced to change their business models. The Innovate America report (known colloquially as the Palmisano report) submitted to the Bush administration by the Council on Competitiveness in December 2004 proposed that overcoming this problem would require the establishment of a “service science” through the fusion of different fields. In the same year, S. Vargo and others put forward the idea of “service-dominant logic,” defining a service as transcending the boundaries between industries to achieve the “co-creation of value by customers and providers.” These activities currently involve the world’s researchers and corporate personnel, and are being undertaken with the aim of building a base of knowledge and fostering human resources to support service innovation. The mission of the Social Innovation Business is to establish and commercialize new service systems: service innovation, in other words. Research and development has provided the driving force behind innovation in manufacturing in the past, and it is anticipated that it will also contribute to service innovation. The following points relate to the creation and commercialization of service systems, and the ongoing generation of service innovations.

The first point is “reframing” (Richard Normann, *Reframing Business*, 2008) and relates to the creation of service systems. Reframing, meaning to go beyond boundaries, is essential to the creation of new service systems. Brian Arthur (in *The Nature of Technology*, 2011) defined technology as a system for achieving a goal, including such intangibles as organizations, actions, and logic. Peter Thiel (in *Zero to One*, 2014) pointed out that new or better ways of dealing with things are also technologies. When the concept of technology is expanded to include things like service system design techniques, organization, and pricing strategies, it also expands the scope of subjects for research and development.

The second point relates to the commercialization of new service systems. Achieving this sometimes requires a redesign of the interior and exterior of the organization or changes to its mission. The question goes beyond just devising a new service system, also encompassing how to deal flexibly with creating the organization for its delivery.

Finally, how to manage serendipity is a key to the ongoing generation of service innovations. Encouraging loose coupling, which has attracted interest as a mechanism for value propagation, has the potential to link diverse organizations together and increase the search effects of knowledge. To create the products and services that users genuinely want, multinational corporations that take on challenges with global scale need a forum for the co-creation of value involving open innovation and diverse stakeholders.

For international businesses that operate on a global scale and seek to transform entire societies into systems, the fundamental consideration is that the starting points are human-centric and relationships between people. What is needed from those involved in research and development and other areas of business is to drive social innovation by engaging with a wide range of people and building a future that transcends the boundaries of the past.