

Services innovation patterns: the case of Italian B2B distribution firms

Roberta Sebastiani

Università Cattolica del Sacro Cuore di Milano
Via Necchi 5, 20123 Milano
Italy
roberta.sebastiani@unicatt.it

Abstract

Companies are facing some hard questions about the unavoidable need to find sustainable means of competition that enable them to face the challenges posed by new market players and dynamics.

These challenges are made all the more difficult by the tendency of companies operating in a wide variety of sectors to follow and reproduce old patterns and approaches.

The evolution path, however, is towards a reflexive modernization (Beck, Giddens, Lash, 1994) characterised by a new form of *intelligence* that we could define as “*tertiary*”. This modernization, more closely related to humans, their abilities and their interpersonal networks, is promoting the exploration of what is new and powering the engine of development (Rullani et al. 2005).

This process, which highlights the role and weight of *tertiary intelligence* as a catalyst for the creation of economic value, is gradually shifting attention from the material transformation of goods to the immaterial transformation of knowledge and relations.

The tertiary sector, in this perspective, takes on added importance, especially with regard to the awareness of its increasingly vital role in the development mechanisms of advanced economies.

Our analysis intends to outline the patterns that typify the development mechanisms through the analysis of a series of concrete cases.

This working paper, in fact, is a contribution to Research Project “Tertiary sector in the knowledge-based economy” sponsored by CFMT (Centro Formazione Management del Terziario) and led by Enzo Rullani (Ca’ Foscari University, Venice).

The need to outline the various innovation paths in the service sector has led to a period of field analysis involving the examination – by means of in-depth interviews with the top management – 50 companies operating in seven macro-areas: retail, B2B distribution, tourism and travel, culture and entertainment, wellness, KIBS (knowledge intensive business services) and logistics.

The analysis has revealed several common features that represent a global development matrix for the sector and at the same time some specific features of each macro-cluster that highlight original interpretations of the phenomenon.

In particular, an in-depth analysis of the specific features of the B2B distribution sector points out some interesting results.

The reasons behind the analysis of this area lie in the increasing disintermediation, which tends to progressively reduce the role of these players, in the consequent reduction in margins in traditional business and in growing demand for service with higher added value.

The analysis highlights how, in a sector like B2B distribution in Italy, there are experience involving the reflexive modernization based on *tertiary intelligence*. The aim is to identify possible innovation patterns able to develop business models which can assume the role of development activators in companies operating in service industries and in particular in this specific sector.

Keywords: innovation, services, B2B distribution.

Introduction

Current trends in the different socio-economic systems are posing companies some hard questions about the unavoidable need to find sustainable means of competition that enable them to face the challenges posed by new market players and dynamics.

These challenges are made all the more difficult by the tendency of companies operating in a wide variety of sectors to follow and reproduce old patterns and approaches.

As awareness grows that the high absorptive capacity in, for example, emerging countries is bringing about a progressive yet alarming reduction in the capacity to defend codified knowledge stored in machines or formal algorithms, so does that of the critical importance of identifying innovations and knowledge that can really be defended over time.

The “mechanical” modernization that more than two hundred years ago sprang up from the intelligence incorporated in machinery and in automated processes in general is now moving in the direction of a “reflexive” modernization (Beck, Giddens, Lash, 1994) characterised by a new form of *intelligence* that, with Rullani (2005) we could define as “*tertiary*”. This modernization, more closely related to humans, their abilities and their interpersonal networks, is promoting the exploration of what is new and powering the engine of development.

Consequently, a possible way of creating a competitive advantage for western economic systems and in particular the Italian system could lie in the constant and conscious investment by companies in these new forms of intelligence.

In other words, companies should invest in differential (compared to competitors) capabilities which will enable them to deal with complex situations that cannot be handled by machinery or procedures, and in contextual and/or tacit knowledge located in people’s brains, in the routines of organised systems and in their relational context (Brown, Duguid 2000).

Viewed in these terms, *tertiary intelligence* seems difficult to reproduce or transfer outside the context in which it is generated.

The development of this form of intelligence can be identified with what is commonly called the tertiarisation of the economy, visible in manufacturing companies, which have increasingly developed a “tertiary soul”, as well as in outright service companies. This process, which highlights the role and weight of *tertiary intelligence* as a catalyst for the creation of economic value, is gradually shifting attention from the material transformation of goods to the immaterial transformation of knowledge and relations (Gorz 2003).

Neo-industry and neo-services

If we consider the economic value that can be created by an organization as a function where:

$$V = f(n, v^*)$$

we can observe that mechanical modernity seems to be characterised by the existence of a substantial trade-off between the number of re-uses of the same knowledge, n (Holzner, Marx 1979), and the knowledge efficacy that can be obtained on average in the single n re-uses, v^* (Rullani, 2004a).

In other words, the situations that are taking shape, as far as business models are concerned, recognise two macro alternatives at the two opposite extremes¹ (Fig. 1):

- the traditional tertiary sector in which the emphasis on the creation of value tends to limit if not exclude the potential for n replication, thus restricting the company’s development and also the economic value that it can generate;

- mass industry characterised by a high level of the multiplying factor (n), although the efficiency dimension (v^*) will be curbed by the focus on commodity production.

Between these extremes, we can find form of artisan production or companies offering standardized services, which have tried to take up an intermediate position, without forsaking the trade-off line.

Reflexive modernization is indicating new directions for companies, thanks to the development of *tertiary intelligence*. Among these we can identify two directions that can overcome the trade-off constraint highlighted above: neo-industry and neo-services².

¹ In this situation the “Baumol disease” (1985) seems to be unavoidable in an advanced capitalism, characterized by a growing importance of the service sector.

In the first case, thanks to more efficient interaction between supply and demand, the *exploitation* of existing knowledge and know-how (March 1991) will facilitate flexible responses to an increasingly complex demand, while at the same time remaining compatible with replication economies. From this point of view, the maintenance of high levels of n (or of re-uses) is combined with a simultaneous increase in v^* , thanks to – for example – the creation of communicable and widely shared meanings, of recognised standards, of modular systems and codified flexibility.

In the second case, the exploration of the shared space of possible outcomes (March 1991) can, with the same v^* , multiply uses through the replication of knowledge as a consequence of the increase in target niches, the creation of formal and informal networks and the extension of relevant fields of reference. From this point of view, the tertiary sector takes on added importance, especially with regard to the awareness of its increasingly vital role in the development mechanisms of advanced economies, as long as – this goes without saying – there is a readiness to invest in the construction and dissemination of the *tertiary intelligence* which is such a feature in the current phase of reflexive modernization.

Our analysis, which takes as its starting point contributions from the literature dealing with innovation, particularly in the service sector, intends to outline the patterns that typify the development mechanisms in neo-services and neo-industry through the analysis of a series of concrete cases³.

A dynamic pathway to innovation in services

The importance of innovation in both service and manufacturing industry is widely recognized. Innovation in services, in particular, has become of great importance, as in most developed countries services account for about seventy per cent of employment. Service firms and sectors are increasingly becoming the sites of deliberate attempts to innovate, with the aims of improving cost efficiency and quality of service production and product and of developing new service concepts.

The majority of innovation studies focus, however, on innovation within manufacturing. Studies on service innovation are relatively new and can be divided into three groups (Miles 2000): those adopting an assimilation/technologist's approach; those adopting a demarcation/service-oriented approach; and those adopting a synthesis/integrative approach.

IT-based innovations in services have been the focus for analysis since the end of the 1970s, thanks to an EC project, to which also Gershuny contributed, called the FAST (Forecasting and Assessment of Science and Technology) Programme, which set up a series of empirical studies in European service companies in what was the first large-scale field research project into innovation in services. Its terms of reference lay not only in long-term socio-economic trends but also in the changes brought about by new technologies and biotechnologies.

Another contribution to studies into innovation was carried out by Pavitt (1984), whose aim is to classify companies and sectors according to the dynamics of innovation and who comes to the conclusion that services, being more or less "dominated by the supplier", were passive users of externally developed technologies. In this same field, other outstanding contributions, starting from a clearly defined topic such as IT-based innovation, enhance its implications and potentialities from a scientific standpoint (Gershuny, Miles 1983).

Among these we can find Barras (1986, 1990), who focuses attention on innovation processes and its trajectories, defining an interpretative model of the various stages of IT use in services, the so-called "reverse product cycle" (RPC).

Innovation in services and services innovation should, however, be understood in broader terms, and this understanding should extend to non-technological innovation, thus reflecting changes in the nature and structure of competition in various service markets.

A significant part of innovation patterns in services is "soft", or non-technological, even when restricted to product and process innovations.

However, such innovation attitudes may be enhanced by a consideration of modes of innovation.

² By means of these terms we indicate two models that incorporate the meanings and characteristics of the original concepts but with a new interpretation and approach consistent with the dynamics of the reflexive modernization and the different role and implications of shared or tacit forms of knowledge able to work both on n and v^* .

³ This working paper is a contribution to Research Project "Tertiary sector in the knowledge-based economy" sponsored by CFMT (Centro Formazione Management del Terziario) and led by Enzo Rullani (Ca' Foscari University, Venice).

A fundamental aspect of a richer understanding of the innovation concept is the need to venture beyond the view of “innovation as substantive events” which underlies technological innovation approaches.

The immediate consequences of this fresh approach are a less clear-cut and more wide-ranging view of innovation, a better understanding of service markets and production and a strengthening of the basic character of innovation as a market phenomenon.

Work by researchers from IFRESI indicates that innovation in services is intrinsically different from the manufacturing innovation model (Gallouj, Weinstein 1997; Gadrey, Gallouj 2002). Their key thesis is closely connected with the idea that services display two main dimensions, namely intangibility and interactivity, which also characterise processes of innovation.

On the one hand, intangibility can generate the potential for “invisible” innovation; on the other hand, interactivity can give rise to a supplier-client co-production, in which the innovation has no clear originator.

Moreover, as every service is in itself “unique”, it is difficult to distinguish between service and innovation variability.

This highlights the extreme flexibility of services, which enables a constant reformulation and adaptation to meet heterogeneous demands.

Consequently, service companies seem to be incompatible with a model of suppliers of standardised products and much nearer to one involving a combination of hard and soft elements (equipment on the one hand, skills and knowledge on the other).

However, and as ever with services, there is a danger of over-simplifying, for there are a number of innovation trajectories in services, which are unevenly distributed across service sectors and service firms (Evangelista, Savona 1998; Miozzo, Soete 2001; den Hertog 2000; Metcalfe, Miles 2000).

With this perspective as our starting point, a wide range of possible alternatives can be identified (Tether et al. 2001), which go beyond the traditional dichotomy between manufacturing and services. Thus the decisive factors as regards change within a company concern variables related to the context (macro, competitive, market related).

This approach represents a synthesis of previous ones, in that it recognises on the one hand that “outside” technologies are instrumental in stimulating offer and on the other hand that the company rarely assumes a passive role during this adoption process (Sundbo, Gallouj 2000).

Furthermore, the wide range of technologies that are either already available or under development creates an enormous number of possible use patterns and hence of multiple combinations of hard and soft dimensions that cannot be defined from the outside by extrapolation and ex-ante (Coombs et al. 2001).

Basically, innovation is not to be understood only as a reaction to new technologies but as their creative use, which can often serve to interpret or integrate the knowledge expressed by the market, enabling companies to increase their control, management and replication of innovation processes (Tether, Metcalfe 2003).

Innovation modes

The need to outline the various innovation paths in the service sector has led to a period of field analysis involving the examination – by means of in-depth interviews with the top management – 50 companies operating in seven macro-areas: retail, B2B distribution, tourism and travel, culture and entertainment, wellness, KIBS (knowledge intensive business services) and logistics⁴.

As we shall see, this analysis has revealed several common features that represent a global development matrix for the sector and at the same time some specific features of each macro-cluster that highlight original interpretations of the phenomenon.

From this point of view, particular attention will be given to the B2B distribution sector.

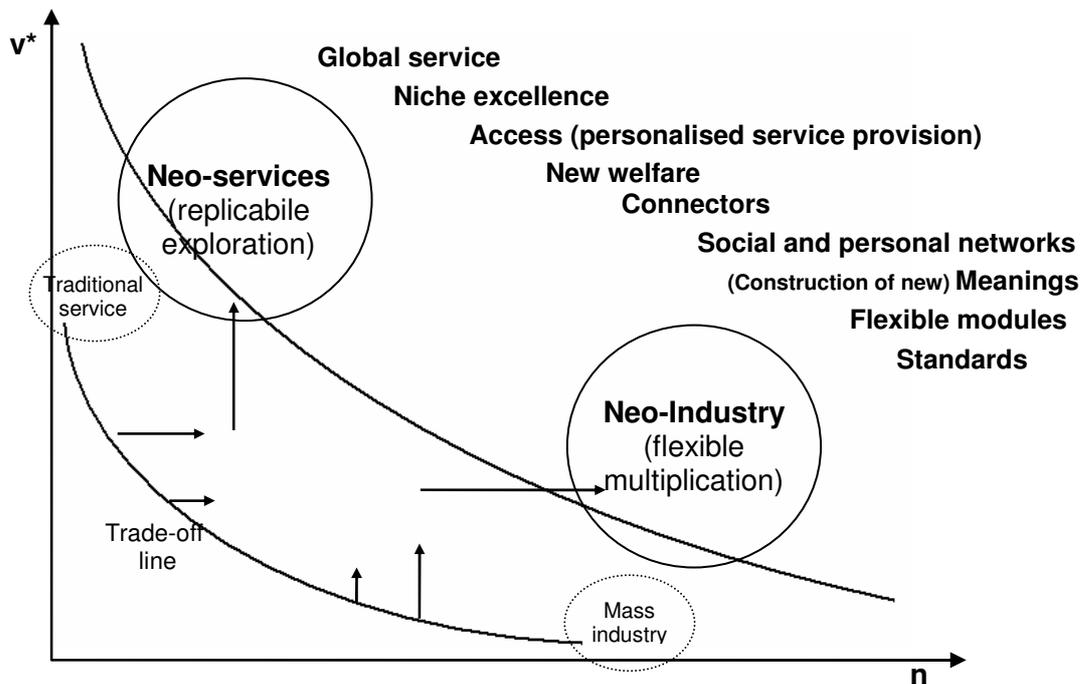
⁴ The research approach used in this Project is based on the model of the *grounded theory* (Strauss, Corbin 1990). Eisenhardt (1989) describe an eight steps process to built a theory starting from a set of case studies. This kind of research, in fact, entrusts on an *analytic* generalization (Yin 1994) instead of a statistic generalization. In this perspective the literature contributions is used to identify and to create a frame of work in which the emerging theory could be developed. The selection of the cases has been realized on the basis of their theoretical interest, i.e. the interest of each case in terms of relevance with the aims of the research itself and the diversity between the single experience. The criteria were essentially the considerable innovation attitude, the consciousness in the innovation process management and the positive (both economic and financial) performances.

The emergence of neo-industries and neo-services - the two extremes in the transformation process, which, as outlined above, companies are undergoing in this second modernity – seems to be dictated by a number of guiding principles.

The analysis of the results of empirical research into innovation processes in the service sector and the observations derived from the real cases being examined have led to an awareness of some directions for the realisation of the innovative potential of companies in the tertiary sector, as it is at present taking shape.

These directions can be identified ⁵(Fig. 1) in:

Fig. 1 Nine innovation dimensions



Source: Rullani et al. (2005).

- *Global service*; there is an increasing tendency towards an approach offering complex and global solutions, where the company is able not only to provide solutions but also to help its client to develop awareness of its own needs system, acting in a spirit of partnership which overrides the traditional client and supplier figures in a less clearly defined continuum.

- *Niche excellence*; the drive towards quality reaches levels of excellence in the presence of a highly sophisticated ability to define one's own business and market, enabling the company to attain a clearly, defined and undisputed position within niches always wider and repeatable;

- *Access (personalised service provision)*; the outsourcing sector, for example, is working in this direction, enabling its clients to concentrate on their core business and leaving in the hands of increasingly specialised companies the task of managing in time and space the supply of tailor-made services, from the simplest to the most complex;

- *New welfare*; this is one of the sectors showing the highest development rates, both quantitatively and qualitatively; there is the need on the one hand to fill the void as regards offer and on the other hand to respond to ever-changing socio-demographic and cultural dynamics;

⁵ These dimensions represent a synthesis of various contributions and themes developed by different authors in several disciplines, i.e. management science, sociology, organization, marketing etc.. In our research, based on the results of the cases analyzed, all of them could represent a direction of potential growth within an innovation perspective focused on an application of *tertiary intelligence*. Of course not only these ones are actionable but they seem to be the most pursued.

- *Connectors*; in this case, we are primarily concerned with the so-called technological connectors, but not to the exclusion of local communities, such as districts and “cities”, as well as epistemic communities, i.e. communities whose members share a certain world view;
- *Personal, company and social networks*; networking has taken on significant importance in publications dealing with economics and companies and represents a rapidly developing phenomenon which implies the existence of facilitators able to activate and develop such networks;
- *(Construction of new) Meanings*; the multisensorial dimension of buyer and consumer behaviours and the spread of the experience economy are the natural preconditions for the increasing interest of some companies, for example those in distribution, in the creation of communicable meanings as the hallmark of their way of doing business;
- *Flexible modules*; the search for flexibility without ignoring efficiency lies at the basis of this mode of innovation which has already manifested itself in many contexts spreading over different sectors;
- *Standards*; the application of logical solutions typical of industrial memory standardisation processes constitutes one of the innovation development fields in service companies; the spread of franchising and the need for codified knowledge systems inside organisations represent other ways in which this approach has been fulfilled.

Apart from their distinctive features, what has emerged is that companies have rarely concentrated on a single innovation mode; more often than not, rather than one fundamental dimension, several axes of innovation can be identified, enabling the company to reach a deeper understanding of its own specific characteristics and/or those of its competitive context.

Besides each company’s distinctive features, some traits have been recognised as common to the different realities.

In particular, the distinguishing features of companies that are bringing innovation, not only to themselves but to the tertiary sector in general, can be identified as:

1. Refusal of the trade-off which assumes that value creation and volume achievement are two largely incompatible objectives; in fact, these companies work actively to increase both, even if with a different emphasis.
2. Shifting the business perspective from the logic of supply to that of demand and hence to value (v); although service industries are by definition nearer to the client than others are, not always are the client’s own requirement systems and alternative ways of providing satisfactory solutions regarded as fundamental perspectives from which to develop one’s business.
3. Increase n , or the number of possible replications of the service, by means of:
 - modern management systems and tools
 - communication technologies and systems
4. Invest in human resources endowed with independence and intelligence in order to increase v and n at the same time.

The axes around which the drive to innovation is being organised

The area between the extremes of the neo-industry model and the neo-services one provides room for manoeuvre for companies able to define a pathway based more on exploration or exploitation dimensions with variable and unpredetermined proportions.

In other words, there is no limited number of alternative development patterns: the basic condition lies in the conscious willingness to go beyond the trade-off line, which currently seems to be curbing development opportunities in the service sector.

In this situation of partial uncertainty, it is nevertheless possible to identify four axes, four guiding principles around which the companies analysed seem to be organising their drive for innovation.

These guiding principles are:

- the axis of *complexity*⁶, which, as regards possible relations with demand, moves in the alternative directions of selectivity, namely the auto-referential choice of core business on the part of the company, which focuses on well-defined segments of the market consistent with specific supply features, and on the other hand of flexibility, which implies the definition of business according to the logic of full service, developed in partnership with the client; the latter approach requires the

⁶ The contribution of Waldrop (1992) can help to understand the dimensions and the determinants that characterize this axis. The relevance of this variable is closely connected on the ability of the organizations about the management of “Chaos” in determining the structure of the specific offering system.

company's increasing readiness to extend business areas according to the client/partner's need system.

- the axis of *networking*⁷, which underlines the company's readiness to produce new *tertiary intelligence* through the setting up and use of formal and informal networks in support of what is offered to the market. In this case, the alternatives lie in the choice of process and activity internalisation and integration, combined with an inevitable level of monitoring and checking, and on the other hand the maximum use of networking, which alongside lower levels of monitoring and checking stimulates a multiplication of subjects and places for the creation and exchange of innovation intelligence.

- the axis of *expressiveness*, situating the company in relation to the generation of value in the offer, which has at one extreme the drive for efficiency, or attention to "instrumental performance", which favours the cost-cutting dimension or the offer of new functional uses, and at the other the focus on expressiveness, or sense-making, and the ability to share meanings which increase value in the offer, clearly differentiating it from alternatives(Pine II, Gilmore 1999);

- the axis of *socialization* (Brown, Duguid 1991; Wenger 1998), which highlights different typologies of subjects which the company means to target, with at one extreme individual identities, or single individuals, devoid of social ties and group identity, and at the other end common identities, made up of communities pre-existing the company's involvement as well as those it has purposely created.

The shift towards the neo-industry alternative emphasises, therefore, the logic of *flexible multiplication*, embodied in its maximum realisation along the four axes through:

- Socialization (minimum): Market segmentation in terms of individuals;

- Expressiveness (minimum): "Instrumental performance" (lower costs and new functions)

- Complexity (minimum): Focus by offer on its own capacities, selecting demand on the basis of its own specialisations;

- Networking (minimum): Direct control of the production process or recourse to the open market.

The neo-service dimension, which highlights an approach based on *replicable exploration*, can be identified in these determining factors:

- Socialization (maximum): Relationship with communities or organised consumer groups;

- Expressiveness (maximum): Thoughtful sense-making (meanings, experiences);

- Complexity (maximum): Completeness of the service offered, which is focused on client needs and fulfilled by an appropriately flexible offer;

- Networking (maximum): Outsourcing to an external battery of specialised suppliers.

In this context, moreover, there is no "correct" or "wrong" path: the opportunity for freely chosen innovation patterns is still open to companies, which attain similar innovative results through totally different solution mixes.

What emerges, however, is the existence of macro-directions which stand out when the different variables are grouped together⁸.

In particular, starting from the choices as regards complexity and networking, which take on added importance because of their relevance to the specifically organisational dimension of the innovative process, it can be observed how the cases analysed tend towards high complexity values, thanks to the growing flexibility in the offer structures being constructed, along with, in most cases, equally significant thrusts towards a networking-based approach.

Obviously, flexibility, which strives towards an increase in the average value to be obtained in the different re-uses of knowledge, is achieved via organisational models that enable an increase in the number of replications (*n*), creating effectiveness and efficiency in the system as a whole.

As can be observed in Fig. 2, the paths and emphases are different even within the same sectors, confirming the hypotheses outlined in the analysis model; at the same time, we do not have a close correlation between the two variables, different companies adopting, in many cases, solutions favouring one or the other dimension.

The evaluation of expressiveness and socialization, in other words of the "softest" dimensions in the logic of innovation, shows up their slightly dissimilar performance, though some of the ratios we have already underlined remain (Fig. 3).

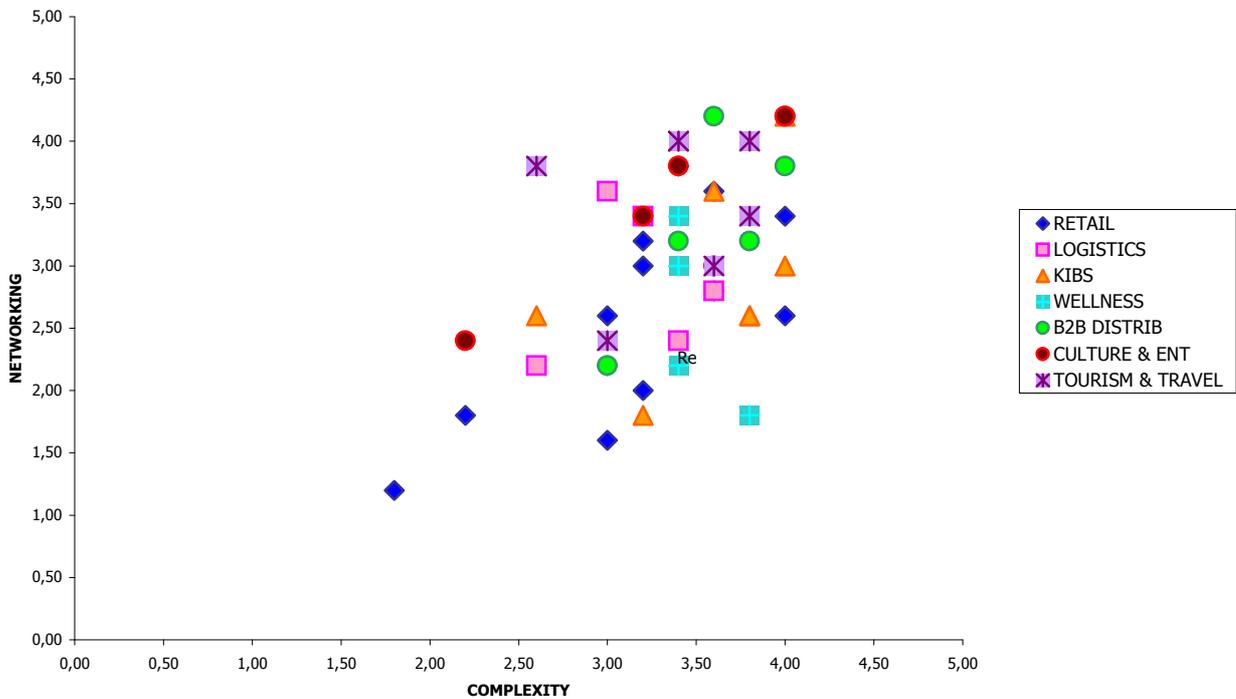
⁷ Relevant considerations on this area could result (amongst others) from Castells (1996); Hakansson, Snehota (1989); Vaccà (1986).

⁸ Every axis, with regard of each case, has been analysed starting from a set of various indicators with different weights. The assessments has been made on the basis of the interviews and the analysis of the secondary data gathered for the drawing up of the cases.

The range of values considered varies from 1 (minimum level) to 5 (maximum level).

In this case, in fact, there is a more significant correlation between the two variables, highlighting the fact that the focus on the creation of new meanings, of new ways of interpreting and decoding the business with the aim of increasing the value offered in every experience of use (v^*), tends to be associated with the identification or better the construction of real communities, made up of subjects able to share and enhance new meanings, which will gradually extend, contributing to the concomitant increase in n .

Fig. 2 Case distribution with regard to the complexity/networking variables



Source: Our elaboration

Though alternative paths are again highlighted, they do not fail to show up, in different ways, the strong relation between the variables.

The characteristics of innovation patterns: the case of Italian B2B distribution firms

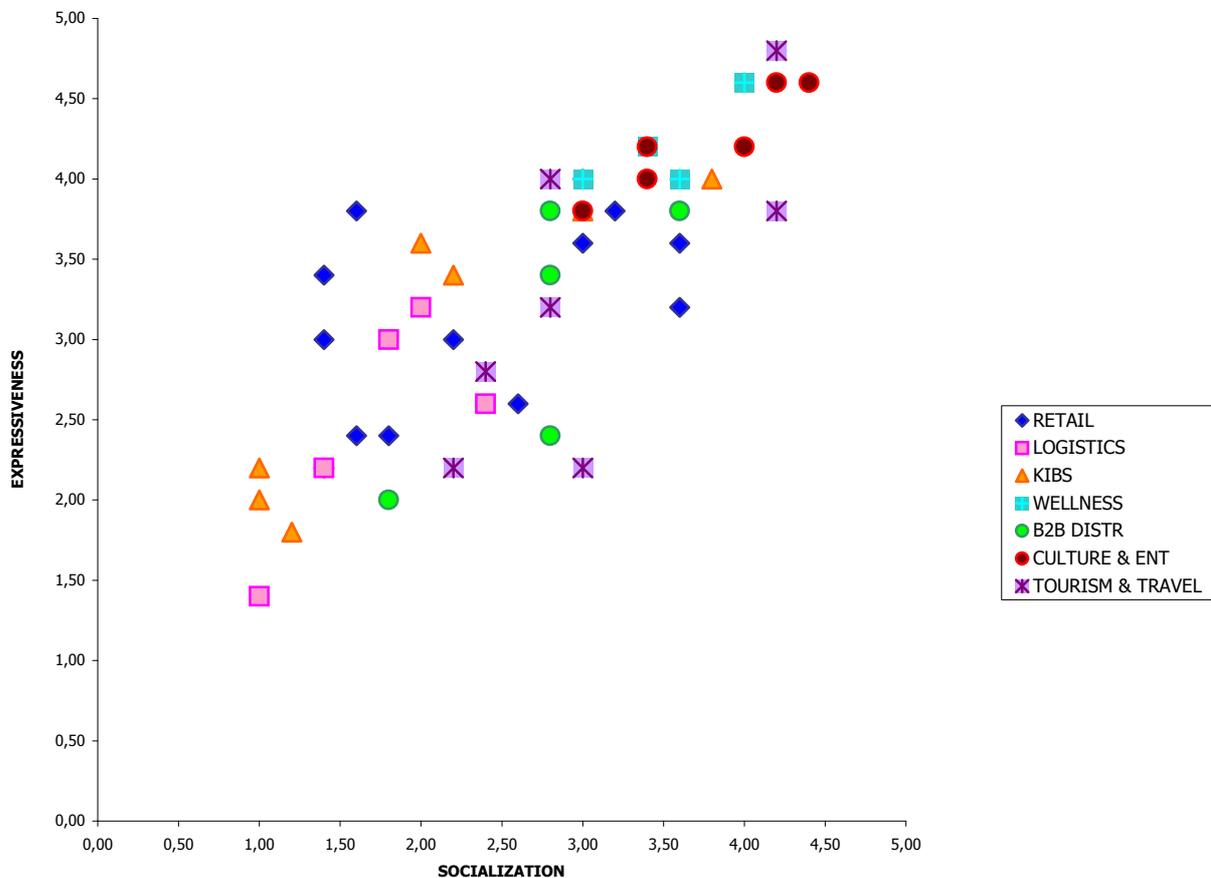
If it is true that some fundamental characteristics cut across all the different sectors being examined, an in-depth analysis of the specific features of the B2B distribution sector will prove just as interesting. The reasons behind the analysis of this area lie in the increasing disintermediation, which tends to progressively reduce the role of these players, in the consequent reduction in margins in traditional business and in growing demand for service with higher added value.

The companies, selected for their innovation orientation and their outstanding performance, operate in different fields such as earth-shifting machinery distribution (CGT), office automation (NRG), electrical material distribution (MC Elettrici), e-procurement (BravoSolution) and pharmaceutical product distribution (Farmintesa).

The alternative paths in this sector highlight how these companies are by and large focused on a neo-industry model (bearing in mind their proximity to the central nucleus represented by the black circle), in which particular importance is given to the networking and complexity axes (Fig. 4).

The limited number of cases considered does not allow us to extend the results to the whole extremely varied field, but provides us with useful clues as to possible development directions.

Fig. 3 Case distribution with regard to socialization/expressiveness variables



Source: Our elaboration

Flexible multiplication, stimulated by a networking approach to business management and the concomitant extension of the concept of “line of business” to satisfy the increasingly complex requirements from demand in the context of augmented service, represents a specific approach to the innovation process, with a view to going beyond the trade-off between n and v^* ; in this sense, given the performances of the companies being examined, there is a real chance of overcoming the factors limiting development in this field as illustrated above.

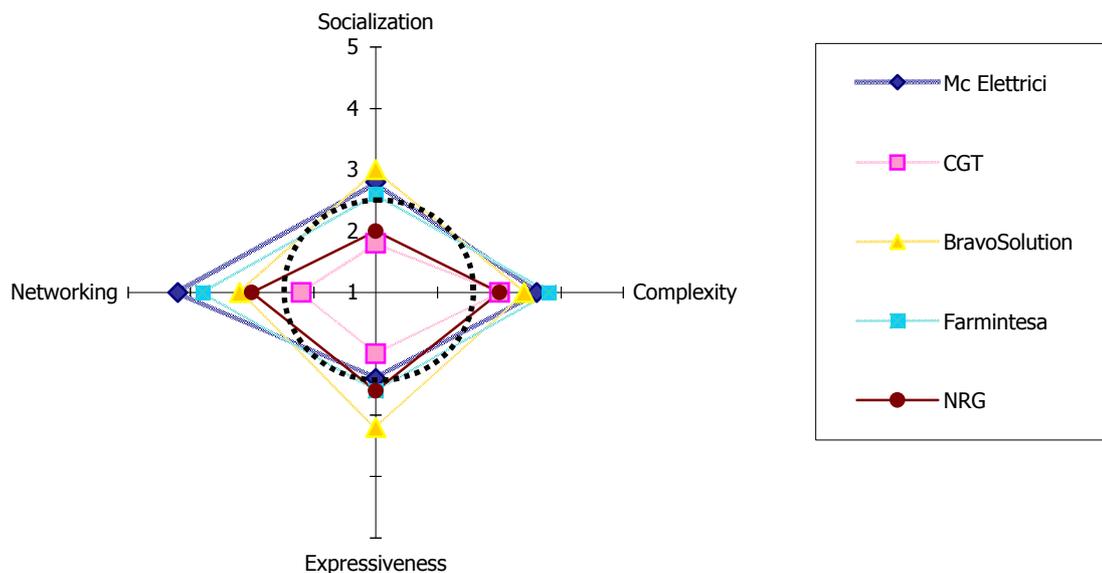
Examining more in detail the most interesting factors emerging from the analysis of the cases studied, certain common areas of attention appear in different but similar degrees:

- *The shift in focus from “core business” to previously marginal services*; intermediation does not seem to be the only or in some cases even the most significant income source. For example, in the case of CGT (well-known Italian Caterpillar track dealer), the redefinition of the company business has concentrated on the development, alongside the products offered, of a pre and post-sales services system that is of great value - and therefore highly attractive - to the client. It is to these aims of customer loyalty development and increased needs satisfaction that the project undertaken by CGT at the beginning of the 90’s should be connected, designed as it was to expand the “service” component, without sacrificing its high business quality levels. Over a period of about 10 years, this process has followed a path of gradual target achievement.

The starting-point was the decision to integrate machinery sales and the technical assistance service; as a result, CGT made heavy investments in its own service network, followed by the offer to hire rather than buy machinery, again with the aim of supplying a service with greater added value. The current challenge is to guarantee solutions that minimise the client’s operating costs relative to the shifting of each square metre. It is interesting to note how the 80%-20% ratio in favour of sales

(machinery and spare parts) over services has been reversed, with services now at 55% and constantly growing.

Fig. 4 The four axis of innovation in B2B distribution firms



Source: Our elaboration

- *The replicability of the soft side*; an emblematic example lies in the development of flexible models that, in the context of a global service such as the one implemented by NFG for integrated document influx management, enable not only a high value of the service offered but also a replication potentiality which can render the service more efficient as well as more effective. The application of a flexible module-based production logic is embodied in the offer of a service that goes beyond the supply of automated office information management equipment, providing multiple personalised/personalisable solutions, from auditing (for the definition of specific needs and the total cost of ownership) to service projecting (with a view to optimising processes and eliminating waste) and the subsequent outsourcing management.

- *The active role in the production/distribution chain*; one of the most interesting aspects is the definition of a new role in the field. Even more than the previous cases, Farmintesa provides an example of this dimension thanks to integrated support designed to increase the added value offered to the different players in the sector. In fact, Farmintesa's offer includes not only distribution services (restocking several times a day; managing over 35,000 warehouse items; managing narcotics; homeopathy; natural and veterinary products; delivery of circulars, orders and so on...), but also services at the pharmacy sales point (Pool Farmacia, Intesa Farmacia, Home Service, Promozione

Commerciale), administrative and financial services (entering prescription data, accounting for pharmacies, checking balance sheets...), IT services (pharmacy IT systems), initial and in-service training services (full-immersion training, technical and scientific in-service training, travel services for trade fairs and conferences...), as well as a series of other services, such as the improvement of sales point displays and personalised consultancy for the optimisation of commercial performance and for the repositioning of the pharmacy through a managerial approach aimed at increasing sales.

- *A growing support to the expansion of "tertiary intelligence"*; this activity appears, as we have seen, as a leitmotiv in the cases analysed. There are many experiences, though few as significant in their dimensions as MC Elettrici. This represents the first non-profit consortium in the electrical material distribution sector, set up to protect small-scale distributors. The business model proved successful because it rationalised all the electrical material sector, not by introducing yet another intermediary that would only have further reduced low margins but by setting up a complex networking system able to ensure advantages and growth for all its members, adopting an active role as "knowledge connector". The specific qualities are, therefore, on the one hand the ability to set up a sophisticated management system for medium quantities and on the other the drive to support its client in the discovery of a new role in a complex context. It is interesting to note how this method contains further replicability potential even in other sectors faced with the same problems.

- *Towards the "Community"*; the socialisation dimension constitutes a new decisive factor in the innovation processes in service industries. While this dimension is more visible in sectors where the creation of shared meanings seems to be more natural (tourism, culture and entertainment, wellness), there are also examples in sectors on the "harder" side of the business spectrum, such as B2B distribution. The experience of BravoSolution is an interesting example of this phenomenon. BravoSolution is one of Europe's leading providers of internet-based procurement tools and professional services. The company's mission is to generate value by supporting its clients in the improvement of their procurement processes through innovative web-based technologies and services. Launched in June 2000 by the Italcementi Group, the company has effectively combined professional expertise and technological excellence in the area of procurement with the aim of delivering valuable results to its numerous customers worldwide. A firm believer in the strategic impact of Internet technologies on buyer-seller interactions, BravoSolution has pioneered the development and promoted the use of new web-based tools and services aimed at improving the efficiency and effectiveness of the sourcing process, from requirements definition and supplier scouting to online requests for quotations and dynamic negotiations.

This analysis has highlighted how, in a sector like B2B distribution in Italy, there are experience involving the thoughtful modernity based on *tertiary intelligence* to which we referred in the first paragraphs. The aim was to identify possible innovation patterns able to go beyond the trade-off situation between n and v^* in order to develop business models which can assume the role of development activators in companies operating in service industries and in particular in this specific sector. Results are beginning to point to potentially viable directions that have already been experimented with success and that represent embryonic guidelines for future research in this field, so significant for the development of advanced economies.

References

Barras, Richard (1986), "Towards a theory of innovation in services", *Research Policy*, vol. 15, 161-173.

Barras, Richard (1990), "Interactive innovation in financial and business services: the vanguard of the service revolution", *Research Policy*, vol. 19, 215-237.

Baumol, William J. (1985), "Productivity policy and the service sector", in, *Managing the Service Economy: Prospects and Problems*, Inman R.P. (eds.). London: Cambridge University Press.

Beck Ulrich, Giddens Anthony and Scott Lash (1994), *Reflexive Modernization*. Cambridge: Polity Press,.

Brown John Seely and Paul Duguid (1991), "Organizational learning and communities of practice. Toward a unified view of working, learning, and innovation", *Organization Science*, n.2, 40-57.

Castells, Manuel (1996), *The Information Age: Economy, Society and Culture. Volume 1. The Rise of the Network Society*. Oxford: Blackwell.

Coombs Rod, Harvey Mark and Bruce.S.Tether (2001), "Analysing distributed innovation processes: a CRIC position paper", *CRIC*, University of Manchester and UMIST.

den Hertog, Pim (2000), "Knowledge-Intensive business services as co-producers of innovation", *International Journal of Innovation Management*, vol. 4(4), December, 491-528.

Eisenhardt, Kathleen M. (1989), "Building Theories from Case Study Research", *Academy of Management Review*, Vol. 14, No. 4 (Oct.), 532-550

Evangelista, Rinaldo and Maria Savona (1998), *Patterns of Innovation in Services: The Results of the Italian Innovation Survey*, Paper presented at the 7th Annual RESER Conference, Berlin, 8–10 October.

Gadrey Jean and Faiz Gallouj, eds., (2002), *Productivity, Innovation and Knowledge in Services*. Cheltenham: Edward Elgar.

Gallouj Faïz and Olivier Weinstein (1997), "Innovation in services", *Research Policy*, vol. 26(4–5) (December), 537-556.

Gershuny Jonathan and Ian Miles (1983), *The new service economy*. London: Frances Pinter.

Gorz, André (2003), *L'immatériel. Connaissance, valeur et capital*. Paris: Editions Galilée.

Hakansson Hakan and Ivan Snehota (1989), "No business is an island. The network concept of business strategy", *Scandinavian Journal of Management*, 5 (3), 187-200.

Holzner Burkhart and John H.Marx (1979), *Knowledge Application. The Knowledge System in Society*. Boston: Allyn and Bacon.

March, James G. (1991), "Exploration and exploitation in organizational learning", *Organization Science*, n. 2, 71-87.

Metcalfe Stan and Ian Miles (eds.) *Innovation Systems in the Service Economy: Measurement and Case Study Analysis*. London: Kluwer Academic Publishers.

Miles, Ian (2000), "Services Innovation: Coming of Age in the Knowledge-Based Economy", *International Journal of Innovation Management*, vol. 4 (december), 371-389.

Miozzo Marcela and Luc Soete (2001), "Internationalisation of Services: A Technological Perspective", *Technological Forecasting and Social Change*, 67(2-3), 159-185.

Pavitt, Keith (1984), "Sectoral Patterns of Technological Change: Towards a Taxonomy and a Theory", *Research Policy*, vol. 13, 343-373.

Pine II Joseph B. and James H. Gilmore (1999), *The Experience Economy*. Boston: Harvard Business School Press.

Rullani, Enzo (2005), "Intelligenza terziaria e sviluppo economico: dalla prima alla seconda modernità", in *Intelligenza terziaria. Motore dell'economia*, Enzo Rullani et al.. Milano: Franco Angeli, 13-60.

Rullani, Enzo (2004a), *Economia della conoscenza*. Roma: Carocci Editore.

Rullani, Enzo (2004b), *La fabbrica dell'immateriale*. Roma: Carocci Editore.

Rullani Enzo, Barbieri Paolo, Paiola Marco and Roberta Sebastiani (2005), *Intelligenza terziaria. Motore dell'economia*. Milano: Franco Angeli.

Strauss Anselm and Juliet Corbin (1990), *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park, CA: Sage Publications.

Sundbo Jon and Faiz Gallouj (2000), "Innovation as a Loosely Coupled Systems in Services", in *Innovation Systems in the Service Economy: Measurement and Case Study Analysis*, Metcalfe, J. S. and Miles, I. (eds.). London: Kluwer Academic Publishers.

Tether Bruce S. and Stan Metcalfe (2003), "Services and 'Systems of Innovation'", *CRIC Discussion Paper n. 58*, february.

Tether Bruce S., Miles Ian, Blind Knut, Hipp Christiane, de Liso Nick and Giulio Cainelli (2001), "Innovation in the Service Sector: Analysis of Data Collected under the Community Innovation Survey (CIS-2)", *Report for the European Commission within the Innovation Programme*, CRIC: Manchester.

Vaccà, Sergio (1986), "L'economia delle relazioni tra imprese: dall'espansione dimensionale allo sviluppo per reti esterne", *Economia e Politica Industriale*, n. 51, 3-41.

Waldrop, Mitchell M. (1992), *Complexity: The Emerging Science at the Edge of Order and Chaos*. New York: Touchstone.

Wenger, Etienne (1998), *Communities of Practice. Learning, meaning and identity*. Cambridge: Cambridge University Press.

Yin, Robert (1994), *Case Study Research, Design and methods*. Thousand Oaks, CA: Sage Publications.