

## Chapter 4

# Increasing Service Exports: A Key Contributor in the Growth of the Global Knowledge Economy

**Max Coulthard**  
*Monash University, Australia*

### ABSTRACT

*Many business leaders and government policy makers see knowledge-based service exports as a way to achieve a global competitive advantage. This chapter presents an Australia-based study of service exporters identifying key barriers to success and potential roles for government agencies. Major findings included the requirement to: better define service exports; ensure exporters are classified accurately; provide appropriate and timely planning; improve financial support; attract qualified and appropriate human resources; plus the need for government incentives and support to increase the innovation and export orientation of service based organisations.*

### INTRODUCTION

The “knowledge based economy” is an expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors (OECD, 2005). In a knowledge economy, many organisations see entrepreneurial characteristics like knowledge management and

innovation as essential to gain a competitive advantage. The challenge for government regulators is how to assist both industries and organisations with best practice entrepreneurial characteristics to become success models that others can emulate.

Governments are interested in the development of industry and organisation based innovation that leads to export growth. According to Smith (2006) exporting “enables government policy makers to enlarge foreign exchange reserves, increase employment levels, improve productivity, and promote societal prosperity.” Moreover, it could

DOI: 10.4018/978-1-4666-0077-5.ch004

be argued governments encourage exports for a more fundamental reason: to pay their way in a global economy. Service exports based on knowledge management and innovation are seen by many governments as a way to fast-track export growth. The problem is that over the three years 2007-2009 commercial service exports grew globally by only 0.3% to USD \$3.35 trillion whilst exports of all products for the same period grew by 28% to USD \$12.2 trillion (WTO, 2010). This data would suggest governments would be better to focus their efforts on growing product exports. However, the following review of a government sponsored survey in Australia sheds some light on possible reasons for the current export figures.

To enable trade flows to be compared between countries, the United Nations has developed an International Standard Industrial Classification of All Economic Activities (ISIC). In Australia, services are classified as follows: transportation, travel, communication, construction, insurance, financial, computer and information, royalties and license fees, other business services, personal cultural and recreational, and government services (ABS, 2007). Although a small number of large companies still make the greatest contribution to service export revenues (ABS, 2007), smaller companies, which employ less than 100 people, have the potential to grow and become larger companies of the future.

The total number of Australian service exporters in 2006-07 was only 2638, making up only 5.95% of all exporters in Australia. This suggests there a great deal of potential for further expansion service export numbers and value considering this is the largest employment sector in the country. Doubling the number of small and medium exporters could boost Australia's overseas earnings by \$8 billion a year (Callick, 2003). While travel and transportation services dominate the service export sector with 73% of total service exports, the fastest growing area by value between 2005-06 and 2006-07 were computer and information services 23.5% and other business services 21.7%

(ABS, 2007). The 10.5% growth by value in the previous year for service exports suggests this sector is not only important, but the rapid increase in the major knowledge sections within this sector highlights the importance of knowledge management and innovation in growing service exports.

In Australia, an industry innovation survey (IBM-Melbourne Institute, 2007) found that within the service sector some industries had achieved rapid innovation increases over the previous 15 years, such as communication services 68.7%, and finance and insurance 87.9%. However, over the same time period, other service industries achieved very few innovative changes, such as property and business services 4.5%, and cultural and recreational services 12.3%. A government study the same year (DITR, 2007) helped identify why these innovation discrepancies exist. These researchers identified skill shortage as a leading deterrent to service based industry innovation. It was also found that larger organisations were the most innovative and less likely to suffer from skill shortages. One the other hand much of the service sector outside of communication, finance and insurance was found to be dominated by small business which lacked the capacity to innovate and had difficulty in attracting the most knowledgeable and innovative job seekers.

In summary, the service sector is a major knowledge user and developer. It is also a significant area of employment and some industries within it have achieved great strides in innovation. However service exports have not kept pace with product exports suggesting knowledge based services are not easily transferred or not in high demand internationally. An alternative view is that service exports are significantly undervalued. The reason for this appears simple. Many services are classified as part of product exports and therefore their value under estimated. Such service items as guarantees, insurance, installations, legal advice, facilitation services, training and support are regularly added to the total product cost, thereby inflating product values. This study explores how

11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

[www.igi-global.com/chapter/increasing-service-exports/61868](http://www.igi-global.com/chapter/increasing-service-exports/61868)

## Related Content

---

### The Determinants of Health Expenditures in Tunisia: An ARDL Bounds Testing Approach

Sami Chaabouni and Chokri Abednadhher (2014). *International Journal of Information Systems in the Service Sector* (pp. 60-72).

[www.irma-international.org/article/the-determinants-of-health-expenditures-in-tunisia/120592](http://www.irma-international.org/article/the-determinants-of-health-expenditures-in-tunisia/120592)

### Customer Trust and Purchase Intention: How Do Primary Website Service Quality Dimensions Matter in the Context of Luxury Hotels in Vietnam

Le Van Huy, Nguyen Huu Thai Thinh, Long Pham and Cindy Strickler (2019). *International Journal of E-Services and Mobile Applications* (pp. 1-23).

[www.irma-international.org/article/customer-trust-and-purchase-intention/217436](http://www.irma-international.org/article/customer-trust-and-purchase-intention/217436)

### Understanding Shared Services: An Exploration of the IS Literature

Suraya Miskon, Wasana Bandara, Erwin Fieftand Guy Gable (2010). *International Journal of E-Services and Mobile Applications* (pp. 60-75).

[www.irma-international.org/article/understanding-shared-services/47323](http://www.irma-international.org/article/understanding-shared-services/47323)

### Jamaica's Internet Story based on the GDI Framework

Samantha Thompson, Abinwi Nchise, Oneurine Ngwa, Allison B. Conti, Victor Mbarika and Evan Duggan (2015). *International Journal of Information Systems in the Service Sector* (pp. 59-83).

[www.irma-international.org/article/jamaicas-internet-story-based-on-the-gdi-framework/126627](http://www.irma-international.org/article/jamaicas-internet-story-based-on-the-gdi-framework/126627)

### Virtual Absenteeism

William H. Friedman (2002). *Internet Management Issues: A Global Perspective* (pp. 138-149).

[www.irma-international.org/chapter/virtual-absenteeism/24632](http://www.irma-international.org/chapter/virtual-absenteeism/24632)