

SMEs are the blood cells for a vivid EU Strategy for the Baltic Sea Region, with a strong impact to all horizontal actions and of particular importance for the Priority Areas SMEs, Innovation and Education. In order to keep on nurturing economic growth and welfare in the Baltic Sea Region, our SMEs need support in the most important task of a knowledge society: **creating innovation**.

A sustainable and effective support of innovation in SMEs needs to

1. Make organisational innovations in SMEs a top priority
2. Strengthen education to boost innovative SMEs
3. Build specific infrastructure for innovation in SMEs

Within the cluster “Innovation in SMEs”, initiated by the Baltic Sea Region Programme, several evaluations and a wide-ranging survey among more than 600 business organisations, universities and administrations were conducted.

The following three areas have been identified to play a crucial role for a forward-looking support of innovations in SMEs and need to be addressed:

#### ★ ORGANISATIONAL INNOVATIONS

Innovations are more than pure product developments and new technologies. Especially in SMEs innovations do ask for a comprehensive understanding of the unique possibilities and potentials of the companies.

- **Product innovations** need to be based on customer needs, and SMEs need support in polishing their product innovations for market introduction.
- **Process innovations** refer to a new or significantly improved production process, distribution method, marketing or support activity for goods or services.
- **Social and organisational innovations** refer to the way the staff works together in a company, the internal work climate, or innovative thinking and leading of the managers.

The survey 2013 showed that in particular **non-technological innovations**, like social and organisational innovations, are of high priority for SMEs, yet the funding programmes focus on the promotion of product innovations only. Support in the area of **non-technological innovations** forms an essential basis for all subsequent changes and therefore must be treated with at least equal attention as technical innovation support measures.

To learn more about the survey 2013, read the full publication or get further information, please visit

[www.bsr-innovation.eu](http://www.bsr-innovation.eu)

## ★ EDUCATION, VOCATIONAL TRAINING AND TALENTS

In the long run, the innovation level of a region corresponds to the level of **qualifications**. The best promotion is one that targets the education of future entrepreneurs and employees. The survey 2013 clearly showed that a lack of skilled workforce is considered the biggest hindrance for innovation in SMEs. In almost all BSR countries the number of people of working age will decline by up to 20% in the next 15 years. Therefore it is essential to exploit the full human potential and develop qualifications fitting SMEs, i.e. by

- focusing on entrepreneurship,
- establishing qualifications that correspond to the practical needs of SMEs by **combining vocational training and academic education** (like in the Dual System that proved highly effective in Finland and Germany),
- fostering high potentials, but also weaker learners, fighting youth unemployment and thus counteract the growing lack of workforce.

Highly qualified personnel are the prerequisite for any innovative company and must be the highest priority. Investments in the required qualifications pay the best interest rates and are the best method for a sustainable promotion of innovations!

## ★ SME INFRASTRUCTURE AND COOPERATION

The evaluation of the projects and the survey both confirmed that the innovation level of a company directly corresponds to its level of networking and cooperation. There is also a strong correlation between the level of international activity of SMEs and innovation. Small firms lack own R&D departments and manpower to be innovative – they need external resources:

- Networks driven by business organisations representing the needs of SMEs and collecting their input must be strengthened and connected to academic networks.
- The collaboration of SMEs and universities must be greatly improved to develop tangible, innovative solutions for individual companies or groups of SMEs in their regions and on a transnational level.
- SMEs need also to cooperate strongly with each other, the transfer of best practices between companies needs to be supported.

Such a specific infrastructure for the support of innovation in SMEs should be based on the **integration of already existing organisations**, whose capacities, experience and long lasting contacts with SMEs are a sound basis. Using and pooling existing resources reduces costs, saves time and ensures success in the long run. Networks need to be built on the respective regional strengths and connected on a **transregional** level in the Baltic Sea Region, bringing **smart specialisation** to its true meaning.

SMEs are the drivers for economic development in the Baltic Sea Region. SMEs are

- ✓ **Flexible:** Due to their small size they are very free and can adapt to changes much faster.
- ✓ **Fast:** The vast majority of all SMEs are managed by their owner, are horizontally organised and allow for straightforward and fast decision-making.
- ✓ **Regional bound:** SMEs are deeply rooted in their locations and do not relocate like big companies, following short-term trends and market conditions. Strengthening the Baltic Sea Region needs strengthening our local SMEs.
- ✓ **Customer focused:** SMEs and their customers interact on a very direct and often personal level.

In 2012 the Baltic Sea Region Programme initiated the cluster “Innovation in SMEs”, consisting of 12 projects co-financed by the INTERREG IVB Programme 2007 – 2013, most of them Flagship Projects of the EU Strategy for the Baltic Sea Region. The projects gather more than 200 organisations from all countries in the region. The cluster is coordinated by the Hanse-Parlament.