

KNOWLEDGE AND INNOVATION FOR THE COMPETITIVENESS OF SMEs

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Situation

To all practical purposes, the recent economic crisis has annulled progress of the EU economy in the last decade, both in terms of industrial production (which has been brought back to the level of the 1990s), and of employment (with 10% unemployed among the population of working age), thus highlighting structural shortcomings which had been counterbalanced so far by a growth trend still being positive, but below that of the main competitors worldwide in terms of productivity, R&D investments, and the insufficient use of ICTs.

This situation has proved to be selective with ambivalence among Italian (and especially Veneto) small enterprises, a pillar of the national economy: on the one hand, dimensional weaknesses have come to the surface, leading many enterprises to succumb; on the other hand, strengths in terms of flexibility and resilience have been pointed out, thus leading to an analysis of the current crisis also as an opportunity.

The crisis has nonetheless affected the continuity and the perception of the district model as a valid tool: owing to the extension of supply chains beyond the territorial borders, and to the partial return of subcontracting purely in terms of production capacity, Italian districts could not counter recession as it was hoped for. The reason for this is partly attributed to the inability to face stronger competition and partly to the *outsourcing* or *insourcing* strategies implemented by medium and large enterprises.

Limits have also emerged concerning the other assumed mainstay of SME development, i.e. innovation without research, considered to be *“based on systems-theory recombination of innovation generated elsewhere”*¹. Within the new context, innovation has shown its competitiveness limits as a carrier of success based on incremental innovation both in terms of processes and products.

Prospects

To face current as well as long-term challenges, the European Commission has suggested a strategy to develop a smart, sustainable and inclusive growth over the next decade. These three priorities mutually support one another in order to achieve global economic growth. In particular, *“smart growth means strengthening knowledge and innovation as drivers of our future growth. This requires improving the quality of our education, strengthening our research performance, promoting innovation*

¹ P. Moncada-Paternò- Castello (et al.): *“L’innovazione industriale in Italia: persiste il modello «senza ricerca»?* - L’Industria, a. XXVII. no. 3, July-September 2006

and knowledge transfer throughout the Union, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help address European and global societal challenges”². This strategy builds up the necessary perspective to develop action plans within a territory to generate innovation ability supporting competitiveness.

Innovation and innovation ability

Several varied processes are included in the concept of “Innovation”, among which scientific research, the creation of new vision, the ability to change, the development of an environment favouring creativity, the launch of new ideas concerning products or services (as well as the ability to produce and supply them), etc. Moreover, innovation does not only concern “hard” factors such as technology, products and market, but also organizations and, consequently, people working in them, who have to anticipate and/or adapt to change.

In transformation processes within enterprises, innovation is currently linked with competitiveness, owing to its strategic central role as a source of competitiveness: *“newcomers with the most successful growth potential are those who develop some type of innovation towards new products, new technologies and the human resources”*³. Talking about innovation is a highly topical subject, but then a wide gap appears between theoretical speech and practice, as this is not assumed to have some priority with respect to other operational processes (i.e. production, purchasing, marketing, ...) which seem to be better related to a company’s performance at a superficial, short-term glance. These processes are thus given priority both in terms of investment and resource allocation, and in the participation and involvement of the Management and the Ownership

For some time now, literature and (mainly) experience have produced evidence of the fact that the biggest problem with respect to innovation ability lies in the *“front end”*, i.e. understanding the customer and his/her requirements in the most direct way, then monitoring and acquiring knowledge about the market of technologies.

Today, as never before, product innovation has become an “ongoing” activity in order to sustain competitive ability. It is no longer possible to rely exclusively on a successful insight or a brilliant idea, while building comfortable shelters difficult to reproduce in the course of time: on the contrary, innovation must become organizational ability lasting over time, thus making its authors become *“serial innovators”*.

For this reason, nowadays innovation requires not only brilliant researchers, but also leaders, excellent managers, entrepreneurship, an adequate organizational structure and a mental attitude pervading the whole company. As stated by Levitt⁴ *“The fact that you can put a dozen inexperienced people in a room and conduct a brainstorming session that produces exciting new ideas shows how little relative importance ideas themselves actually have. The scarce people are those who have the know-how, energy, daring, and staying power to implement ideas”*

Innovation therefore requires multiple, shared roles integrated with one another, with creative abilities, new ideas, familiarity with experimentation and applications whose results are difficult to anticipate. As there is no direct relationship between investments in R&D and achieved results, it is of vital importance to create an organizational framework favouring this association, first of all by

² EU Commission Communication *“Europe 2020 - A strategy for smart, sustainable and inclusive growth”* – Brussels, 03.03.2010 - COM (2010) 2020 def.

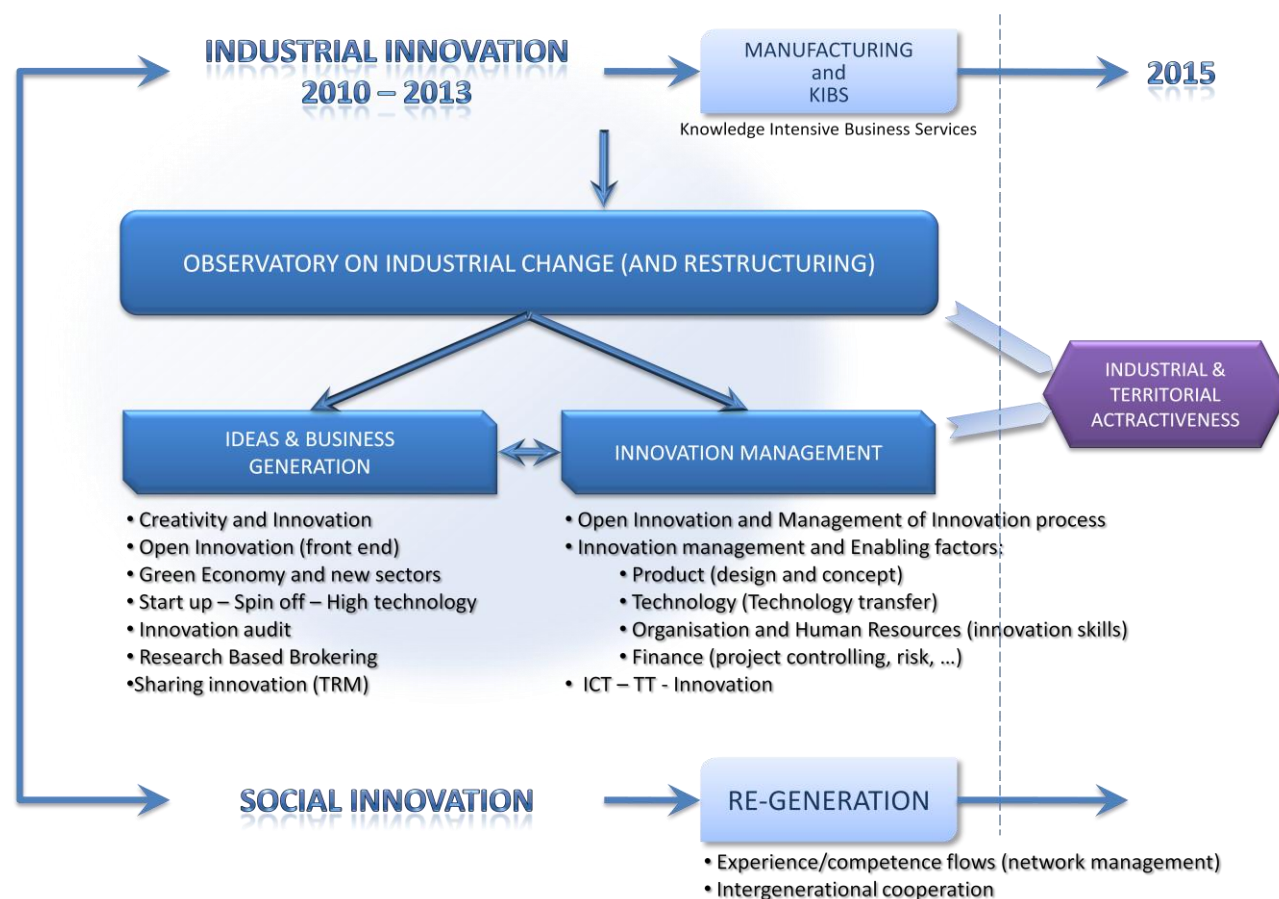
³ J.Wolff, T. Pett: *“Small-Firm Performance: Modelling the Role of Product and Process Improvements”* in Journal of Small Business Management - 44(2), 2006.

⁴ T. Levitt: *“Creativity Is Not Enough”*, Harvard Business Review, 1963

eliminating reluctance to change and the “manhunt” typical of many organizations. Innovation inevitably implies additional costs, generates uncertainty within the organizational structure, destabilizes the administrative hierarchy. However, it goes without saying that, in spite of the difficulties in reaping its fruits, innovation is the best answer on how to assure profitable growth for a company.

Confindustria Veneto SIAV: policies and strategies

Consistently with what has been stated above, Confindustria Veneto SIAV is a service organization for companies which has focused interventions implemented over the past few years on supporting the restructuring process under way within the Veneto industrial fabric, namely by drawing the attention to two fundamental issues: stability and development of the manufacturing sector (still a pillar of the region’s economy), as well as the growth and development of new KIBS (Knowledge Intensive Business Service) enterprises according to the following scheme:



Actions undertaken and currently under way include:

- ✓ The implementation of an **Observatory on Industrial Transformation**, an initiative carried out between 2008 and 2009, aimed at analysing strategies adopted by Veneto enterprises and at orienting policies supporting them. This initiative has been implemented with the cooperation of a few Universities and Research Centres. The transversal analysis of a wide variety of case studies conducted in various enterprises with a different nature, size and product range, allowed to identify an attitude known as “Active resistance strategy”, by means of which more reactive companies face up to the crisis by working on three

fundamental topics: the business network, the system of offering value (innovation) and the internal structure (human capital, key processes and systems). The current trend leads to widen focusing and mapping activities also on KIBS enterprises, by operating as a priority on two topics :

- **Generating ideas and new businesses** by implementing high-quality interventions in the field of creativity and innovation; on the front-end of open innovation; on the green economy and on new possible areas; on the start-up and spin-off of hi-tech companies; on the innovation audit; on research based brokering.
 - **Managing innovation** by suggesting initiatives to transfer contents and methods concerning issues such as the management of innovation processes and of factors enabling innovation in terms of products (concept and design), of technological transfer, of the organization and development of human resources (*innovation skills*), of finance (*project controlling, risk*); sharing innovation (by means of the Technological Road Map-TRM); innovation on the field of ICTs and TTs.
- ✓ **Social Innovation**, by aiming at the implementation of initiatives and intervention types facilitating the transition of available management from the manufacturing sector to KIBS (and from the large company to the small and medium enterprise), by means of a re-generation approach, This means that intergenerational cooperation must be an essential driver for the transfer and consequent use of competence and experience owned by older people, while associating them with potential and talent owned by younger generations. This perspective is aimed at favouring the building of a new industrial and territorial pattern being able on the one hand to “retain talents”, and on the other to attract skills and resources (human resources, financial resources, ideas etc.) from the outside.

Under this logic, among other things SIAV launched a special initiative, within the “Lifelong Programme - Subprogramme Leonardo da Vinci - Transfer of Innovation”, called “*Rebasing - Research Based Competence Brokering*”, in order to strengthen cooperation between universities, research centres and enterprises. The necessary figure to achieve this goal was identified in an activity carried out in Norway within the local “*Regional Programme for Innovation Research and Development*”, which was centred upon the role of a “*Research Based Competence Broker*” who can analyse the needs of enterprises in terms of technological and organizational innovation, and link them with the availability of innovative solutions provided by universities and research centres. The general formulation is based on action within logic and consistently with the so-called “Triangle of knowledge” whose three summits are the virtuous integration between the production of knowledge (through research), its transfer by means of learning processes (enabling factors) and innovation processes (applied knowledge). This scheme highlights the interaction between Education, Research and Innovation, i.e. the fundamental drivers for the development of a society based on knowledge, in compliance with the guidelines set by the EU Commission: “*To be a genuinely competitive, knowledge-based economy, Europe must become better at producing knowledge through research, at diffusing it through education and at applying it through innovation*”⁵.

⁵ COM (2005) 118 def.-EU Commission Communication - “*Building the ERA of knowledge for growth*”

Also refer to the following initiatives:

FOUNDATION SEMINAR SERIES 2009 “*Preparing for the future: maintaining employment in times of crisis*” - Dublin, 18-20 November 2009 - <http://www.eurofound.europa.eu/events/2009/fssdublin09/index.htm>

EUROPE ET SOCIETE : Les Cahiers de la Fondation - n. 77-78 - May 2010-December 2010 : “*Dialogue Social et Restructurations en Europe face à la crise: Conséquences et Résultats* » - pages 105-108 and Supplement to Cahiers de la Fondation n. 51 - June 2010 – Conference of 4th and 5th May 2010

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