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GO SMART
INNOVATE ACROSS BORDERS

Feasibility study for continuation of Transnational Innovation Brokerage System

Bialystok, March 2021

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Summary

The main purpose of this study is to characterise possible variants of ensuring the sustainability of the TIBS and to evaluate these variants, to compare with one or more of them as recommended. The three variants were taken into account: TIBS as a structure within the Enterprise Europe Network (EEN), TIBS as an independent and commercially operating networking organisation and integration of the TIBS system into another network organisation operating for SMEs. Taking into account the long-term durability of this system and the environmental conditions, the best chance for the effective provision of services for SMEs by TIBS is variant I, i.e. the inclusion of the TIBS system in the structure of the Enterprise Europe Network (EEN). This option gives the opportunity to maintain and develop the unique properties of the services offered by TIBS and provides a wide access to potential customers. Short-term sustainability of the current project and of TIBS was ensured by applying for funding of the extended project entitled "Strengthening smart specialisation by fostering transnational cooperation and practical application of novel solutions for regions and SMEs" (GoSmart & Excel BSR). The application was positively assessed.

Introduction

According to the European Commission report „Supporting the Internationalisation of SMEs”, internationally active SMEs launched more products or services that were new for their sector in their country, they were also more successful with process innovations that were new for their sector in their country, and therefore, they are more competitive than their domestic counterparts (EC, 2010, p. 70). These internationally active SMEs benefit from access to know-how and technology, increased efficiency, economies of scale and increased competence by entering difficult markets and exploiting the advantages of cutting-edge technology. ¹

According to the OECD, the main barriers reported by SMEs are:

- the difficulty of identifying foreign business opportunities;
- not enough information to locate/analyse markets;
- inability to contact potential overseas customers;
- the difficulty of obtaining reliable foreign representation;
- lack of managerial time to deal with internationalisation;
- not enough and/or untrained staff.²

Additionally, the study revealed the following barriers, as perceived by SMEs:

- the price of their product or service;
- the high cost of internationalisation;
- the quality of the product and lack of qualified staff.

Similar barriers were identified in a study conducted in 2018 as part of the GoSmart BSR project. At that time, the surveyed SMEs, apart from financial issues, also drew attention to factors related to the lack of sufficient knowledge necessary to operate on foreign markets, that is:

- insufficient knowledge of legal and financial regulations (35,5%);
- language barrier (35,5%), and
- insufficient knowledge about the market (32,3%).

However, in response to these challenges and barriers, SMEs can be effectively assisted, e.g. by making information on international markets easily accessible, helping them to establish international partnerships in business, research or technology or subsidising participation in foreign trade fairs.

Successful support to SMEs requires an in-depth analysis of each company's internal set-up and processes, and market position, etc. Supporting internationalisation (not just exports), should also be comprehensive.

Taking these factors into consideration and the willingness to help SMEs in gaining foreign partners for the implementation of innovation projects and innovative business ventures, the Transnational

^{1,2} Supporting the Internationalisation of SME. 2014.

https://s3platform.jrc.ec.europa.eu/documents/20125/253550/Supporting_Internat_SMEs.pdf/ccd964d2-3b6b-2f93-758d-85b7b513219e?t=1621268542393

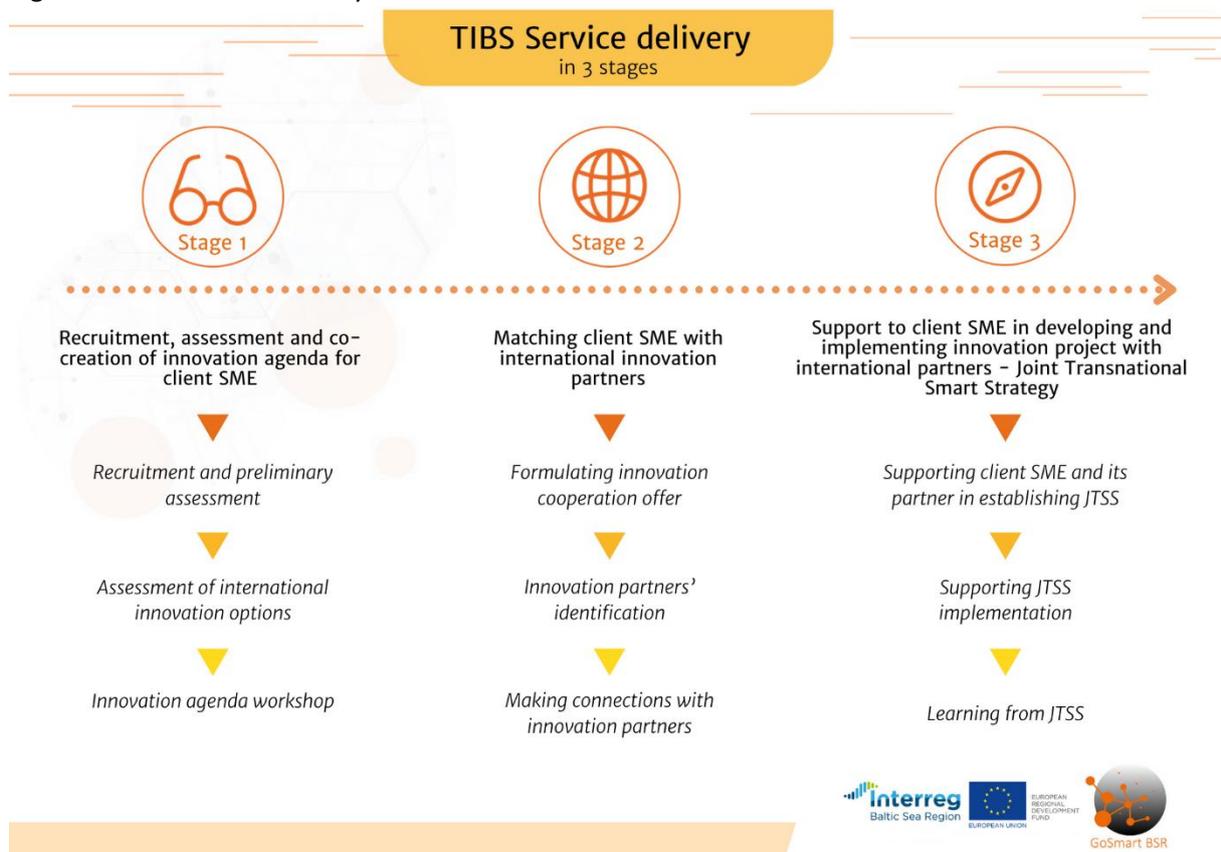
Innovation Brokerage System (TIBS) was created in 2019 under the framework of the GoSmart BSR project within EU-Interreg Baltic Sea Region 2014-2020 programme.

The main purpose of this study is to characterise possible variants of ensuring the sustainability (durability) of the TIBS and to evaluate these variants, to compare with one or more of them as recommended.

Characteristic of Transnational Innovation Brokerage System (TIBS)

Transnational Innovation Brokerage System (TIBS) was developed within the GoSmart BSR project with an active engagement of all project partners. Individual elements and assumptions of the system were constantly verified and improved (first and second pilot cycles). Currently, the TIBS system consists of 7 contact points with 1 broker in each of the locations (Poland - 1, Latvia - 1, Estonia - 1, Lithuania - 1, Germany - 1, Denmark - 1, Finland - 1). The process of developing cooperation with clients consists of three stages.

Figure 1. TIBS Service delivery



Source: elaborated by the project team

The aim of **Stage 1 – Recruitment, assessment and co-creation of innovation agenda for client SME** is to create the data base (create data base of TIBS), showing the potential of TIBS tools to the SMEs, and creating the strong link between IIB (TIBS network) and the SMEs.

The process consists of the following steps:

1. Recruitment and preliminary assessment
2. Assessment of international innovation options
3. Innovation agenda workshop

The goal of **Stage 2 – Matching client SME with international innovation partners** is to find a foreign partner to engage in a joint innovation project. This process consists of the following stages:

4. Formulating innovation cooperation offer
5. Innovation partners' identification
6. Making connections with innovation partners.

The aim of **Stage 3 - Support to client SME in developing and implementing innovation project with international partners - Joint Transnational Smart Strategy** is to get to know potential partners and develop a model of cooperation, and eventually to implement an innovation project with them. This is the final stage after the preliminary matching process made by the broker and by the clients themselves.

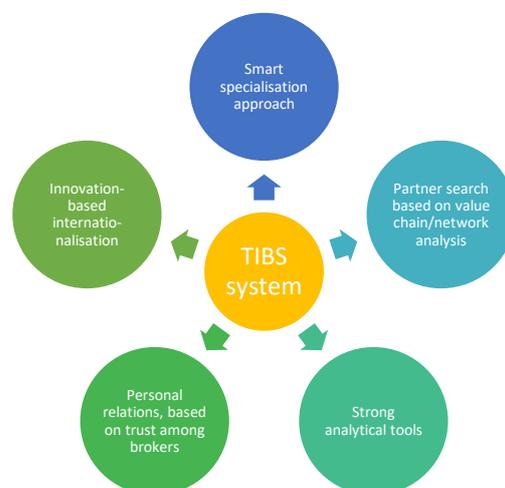
Brokers support partners in elaborating and implementing Joint Transnational Smart Strategies.

The multi-stage evaluation of the TIBS system, monitoring, exchange of brokers' experiences, joint work of brokers on the improvement of TIBS, has led to the modification of the original assumptions and principles of TIBS operation, and those modifications have been presented in Figure 1.

Many months of testing the TIBS system, ongoing monitoring and evaluation of the system, user-oriented approach and openness to the external environment made the system more adapted to the needs of SMEs. It was based on the latest scientific reports, objectified research results and the exchange of experiences between all partners involved in the GoSmart BSR project. Its strength is definitely the attempt to diagnose the needs of SMEs based on the value chain/network approach (Figure 3).

Undoubtedly, the strength of the TIBS system is the operation according to the smart specialisation approach, which enables finding innovation-based areas of cooperation and internationalisation. In addition, the network currently consists of 7 brokers from the Baltic Sea Region countries. The cooperation of brokers as part of the project, joint creation of individual elements of the TIBS system, its evaluation resulted in the creation of strong, trust-based relationships among brokers that facilitate cooperation, communication, implementation of (project) goals and protect against conflicts.

Figure 2. Strengths of TIBS



Source: own study

The variants of TIBS continuation

Variant I - TIBS as a structure within the Enterprise Europe Network (EEN)

The first variant ensuring continuity of the TIBS system is the incorporation of the solutions developed so far within the TIBS system into the structures of one of the largest structures offering SME services – the Enterprise Europe Network (EEN).

EEN is a worldwide network with number of key factors of success:

- constantly growing network
- experienced staff, with constantly improved capacities
- at least few experts in every EEN point (partner organisation, which deals with clients)
- IT tool for matching partners
- numbers of companies' profiles counting in thousands
- database of international brokerage events (both internal and external)
- stable co-financing from the EU (EASME)
- number of modules as additional services: trainings, seminars, conferences, company missions, brokerage events during trade fairs, feedback activities, variety for internal trainings for staff, additional calls for projects for EEN partners expanding complexity of the offer, networking events, sector groups activities.
- own tools for analysis combined with the network: Innovation health check, Improve Academy, other benchmarking tools.

TIBS, in comparison with EEN, is:

- the trust-based network of partners engaged in GoSmart BSR project
- staff experienced in advisory but still learning and improving TIBS system by practical testing
- tailored approach and value chain approach of identifying the most suitable innovation agenda for the client
- experts with experience in working with SMEs
- matching partners without IT Tool, relying on excel sheets and personal contacts of IB
- lack of secured prolonged external financing
- tailor-made tools for analysis in value chain system with focus on growth strategies and considering internationalisation strategic advice for business model changes
- Growth Wheel analysis system
- limited additional services combined with the system (seminars, workshops, projects).

The advantages of the solution to integrate TIBS into the EEN service offer are:

- ensuring continuity of financing for TIBS,
- expanding the area of searching for partners beyond the countries participating in the GoSmart BSR project, and therefore more effective search for partners;
- greater access to the target groups of SMEs,
- possibility of using existing software solutions of EEN,
- possibility of supplementing the basic service (searching for foreign partners) with other additional services (assistance in obtaining funds for internationalisation, training, etc.)
- benefitting from positive and widely recognised profile of the EEN

- opportunity to benefit from the many years of EEN experience.

Integration of TIBS services with EEN will be possible if it brings tangible benefits to both parties. From the EEN perspective, this solution could mean:

- the possibility of offering SMEs a more tailored approach,
- network of trust-based brokers,
- widening the service offer with the service of matching business partners based on the value chain
- developing joint innovation agendas,
- strengthening the positions of EEN into the BSR level, due to active lobbying for the TIBS.

In summary, the TIBS supporting innovation-based internationalisation of SMEs, based on value chain / network concept appears to be the core area of added value of the TIBS compared to the EEN offer. Effectively the TIBS as an innovation and business partner connection tool could become a complementary and standard tool which can be added to such EEN tools as: Innovation health check, Improve Academy, other benchmarking tools. Thanks to this, the EEN offer would be enriched with another way of helping SMEs, while at the same time expanding the availability of TIBS to a wider group of entities.

Consequently, the TIBS and Joint Transnational Smart Strategies (JTSS) supported by TIBS services can be another innovation to EEN offer where SMEs and their partners innovate jointly across borders on the basis of open innovation.

Variant II - TIBS as an independent and commercially operating networking organisation

Another option is the operation of TIBS as an independent commercial network of brokers. This option would require the development and implementation of a business model enabling the ongoing financing of brokers' activities. The business model would have to take into account the possibility of obtaining funds from European programmes, but it could also mean introducing fees for the provision of the service.

The advantages of this solution can be:

- maintaining the autonomy and specific character resulting from basing the TIBS system on the value chain/network concept,
- building the TIBS system on the Trans-S3 methodology,
- the "intimate" nature of the network, which allows building strong, trust-based ties among brokers,
- strong ties among brokers translating into high productivity,
- having a unique matchmaking service for business partners,
- greater flexibility of the TIBS structure and the ability to adapt to the environment as a relatively small network.

The disadvantages of this option are:

- lack of stability in the financing of the TIBS system,

- spatial limitation of brokers' activities (to some of the Baltic Sea Region areas),
- limited recognition of TIBS among the target groups,
- lack of software tools supporting the work of brokers.

Variant III - integration of the TIBS system into another network organisation operating for SMEs

Many organizations supporting SMEs in the field of internationalisation offer a selected category of services: financial support, training or assistance in finding partners. However, SMEs expect comprehensive support, tailored to the individual needs and specifics of the organisation. Therefore, in the area of cooperation with SMEs, organisational integration takes place, ensuring a more comprehensive solution to SMEs' problems.

An example of a potentially suitable network is the European IP Helpdesk, which directs its offer to European SMEs. Unfortunately, information about the support offered is provided only in English. Being aware that the language barrier is one of the reasons for not undertaking internationalisation and considering the extensive structure of the EEN operating in many local environments, the European IP Helpdesk decided to cooperate with this network (<https://www.iprhelpdesk.eu/>). The aim was to enable each SME to benefit from the specific knowledge resources while ensuring wide access.

Connecting TIBS to a highly specialised network of brokers by another organisation or structure could generate similar problems as in the case of the European IP Helpdesk. To ensure the sustainability of the project, and thus the TIBS, it would be necessary to look for new solutions that would comprehensively meet the expectations of the target groups.

The advantages of the third option can be:

- maintaining the distinctiveness and uniqueness of the TIBS system,
- gaining time to increase the recognition of the system,
- continuous improvement of the quality of services and development of a business model,
- using the partner's experience in the integration process,
- possibility of acquiring new customers by capitalising on the partner network strength.

The disadvantages of the third variant are:

- uncertainty about financial stability,
- dependence on the cooperating institution/network,
- fuzzy image,
- uncertainty about the organisational sustainability of the TIBS system.

Evaluation of variants

In order to compare the three above-presented variants of ensuring the continuity of the TIBS system and to select the optimal development direction, a variant analysis was carried out.

The following criteria for assessing variants were used for the comparison:

- financial sustainability,
- organizational sustainability,
- market sustainability,
- infrastructure sustainability,
- additionally, the analysis includes key competitive advantages, knowledge, and image (perception) of the organisation.

Financial sustainability is understood as having the resources necessary to cover the costs of the TIBS operation after the completion of the GoSmart BSR project.

Organisational sustainability is the ability of an organisation to secure dynamic development in the modern world full of dependences, the ability to adapt to the current situation, the ability to constantly improve. Organisational sustainability is also determined by the quality of products, efficient management, process reliability and employee competences.

Market sustainability is the ability of an organisation to survive in difficult and changing environmental conditions.

Infrastructure sustainability is understood as an organisation's access to infrastructure and having conditions to ensure its infrastructure efficiency and renewal.

Each of the variants was assessed on a scale of one to three (with 3 being the highest score and 1 – the lowest), according to the criteria relating to the sustainability of the project and, consequently, ensuring the continuity of the TIBS system (table 1).

Table 1. Variants

	Variant I	Variant II	Variant III
<i>Financial sustainability</i>	3	1	2
<i>Organizational sustainability</i>	2	3	1
<i>Market sustainability</i>	3	1	2
<i>Infrastructure sustainability</i>	3	3	2
<i>Image of the organisation</i>	3	1	1
Sum	14	9	8

Source: own study

The analysis conducted shows that the variant that will ensure the sustainability of the TIBS system to the greatest extent will be variant I, i.e. the inclusion of the TIBS system in the structure of the Enterprise Europe Network (EEN). This option guarantees continuity in almost all assessed areas, i.e. it offers stabilisation, market recognition and the possibility to benefit from many years of EEN experience.

The second-best variant, slightly lower rated, is variant II, i.e. the TIBS system as an independent and (non-)commercial organisation. First of all, the disadvantage of this solution is the possible lack of financial stability, insufficient market recognition and, due to limited resources, limited adaptability to the environment.

Option III, i.e. cooperation with another organisation or network, turned out to be the least favourable option from the point of view of the overall sustainability of the TIBS system.

Final recommendations

The variants described above have reflected multiple considerations and different directions for the development of the TIBS network. However, taking into account the long-term durability of this system and the environmental conditions, the best chance for the effective provision of services for SMEs by TIBS is variant I, i.e. the inclusion of the TIBS system in the structure of the Enterprise Europe Network (EEN). This option gives the opportunity to maintain and develop the unique properties of the services offered by TIBS and provides a wide access to potential customers.

Recognising the wide interests of the developed Trans-S3 methodology³ along with the possibility of its further development, additionally being aware of several limitations of TIBS, like the limited geographical coverage of the UE territory and limited support of brokers work by convenient IT systems, the project partners have been motivated, still during the GoSmart BSR project implementation, to seek further short-term support and boost of sustainability prospects. Therefore, considering the possibility to apply for an 'extension' project under the EU-Interreg Baltic Sea Region Programme, they decided to apply for funding of the extended project entitled "Strengthening smart specialisation by fostering transnational cooperation and practical application of novel solutions for regions and SMEs" (GoSmart & Excel BSR). The application was positively assessed.

The implementation of the new GoSmart & Excel BSR project will last 9 months and will start on April 1, 2021 and end on December 31, 2021. Thus, the immediate sustainability of the current project and of TIBS was ensured. The number of partners increased and the partners of the GoSmart & Excel BSR project are:

- Bialystok University of Technology (PL) – Lead Partner,
- Podlaska Regional Development Foundation (PL),
- Vidzeme Planning Region (LV),
- Valga Municipality Government (EE),
- Lithuania Innovation Centre (LT),
- Kouvola Innovation Ltd (FI),
- Hamburg Institute of International Economics (DE),
- Baltic Institute of Finland (FI),
- RISE Sweden (SE),
- North Denmark EU Office (DK).

The goals of GoSmart & Excel BSR project will be to further improve Trans-S3 methodology and elaborate a Trans-S3 for the whole BSR while enhancing the TIBS services and expanding network. It is also planned, inter alia, to develop a web-based support tool dedicated to the TIBS system, i.e. e-platform solution pre-designed by the project partners, especially those involved in TIBS services delivery.

The new IT solution will enable, among others:

- improving the work of brokers,
- improving communication between brokers,

³ METHODOLOGY FOR TRANSNATIONAL SMART SPECIALISATION STRATEGY. POLICY PAPER. April 8, 2019, <https://gosmartbsr.eu/publications/>

- ensuring better work coordination,
- effective monitoring the effects of brokers' work,
- facilitating the integration of new network partners,
- increasing the security of collected data.

This study presents thesis very coherent to the statements presented by GoSmart BSR project partners during Project Steering Committee meeting gathered online on March 17, 2021. According to the partners, TIBS has met the aims set at the project beginning, as a cross-national, operating network, and an effective system supporting SMEs in innovations along with cross-national cooperation.

According to the intention of the partners, TIBS will be continuing and developing in the extension phase, GoSmart&Excel BSR project. The system sustainability and expansion will be fully assured during this phase. Integration with the EEN is the most favourable option for TIBS sustainability as agreed by partners and as expressed in the documents of new project (GoSmart&Excel BSR). This feasibility analysis has also indicated that this selected path for TIBS sustainability by integrating into the EEN is the optimal alternative. At the same time, taking into account the turbulence of the environment, the TIBS system in the long term may benefit from another variant.