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Service innovation processes in SMEs in Upper Austria

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Introduction

- Preliminary findings on the current situation in Upper Austria with regard to innovation in SMEs as a part of the SIP-SME project
- Interreg project Austria-Czech Republic funded by the European Regional Development Fund
- 4 project partners:
 - University of Applied Sciences Upper Austria
 - Business Upper Austria
 - South Bohemian University
 - South Bohemian Science and Technology Park
- Development of an online tool to measure innovation in SMEs and help them with service innovation processes

Methodology

- Scientific literature on the topics of innovation management and organization, resources, innovation collaboration, KPIs, and innovation processes and their formalization

- In-depth interviews with 10 innovation experts in Upper Austrian and South Bohemian regions:
 - Owner or manager of an SME, which is known for its innovations
 - Innovation leader in a specific industry
 - Innovation policy maker
 - Consultant for innovation processes

Methodology

- The experts chosen for the Upper Austrian region were professionals in the biotechnology, software, machinery, consulting, and energy industries
- 40 open questions covering the same topics as the literature review
- 1.5 hours at the company premises, transcribed and analyzed
- Findings from the literature and from the expert interviews were compared to see if they align and disparities were identified
- The analysis will be used as the basis for the online innovation measurement tool

Literature background

- The most important organizational assets are the employees, and the know-how and innovative ideas they bring to the company
- It is essential that employees have enough time to innovate and engage in collaborative learning within a team
- The most important prerequisite for service innovation: managerial service awareness
- Informal communication, autonomy, and job challenge are necessary to support service innovation
- Issue for SME: specifically dedicated roles within the innovation process proved to lead to higher innovation success

Literature background

- The size of the company proved to be an important factor of innovation success
- The bigger the company, the more resources and buffer to absorb possible innovation failures
- The number of the years the company is active on the market seem to be an unimportant aspect
- Service innovation can develop irrespective of formalization, however, companies with formalized innovation processes have approx. 12% higher revenues

Literature background

- Service innovation processes needs to be driven by customers
- An ideal innovation measurement system should have a multidimensional view of the company's performance
- The measurement system should be process-oriented, present at various stages of the innovation lifecycle, and innovation outputs need to be directly linked to the inputs assigned to the innovation development
- Current innovation measurement indicators proved to be insufficient and overly complex for the companies
- Companies usually use financial aspects only

Literature background

- If SMEs collaborate in innovation, it is mostly with customers, who have a role of knowledge provider and not an executor of innovation activities
- Moreover, strong relations with universities and suppliers are directly linked to higher innovation success
- Evidence on collaboration with competitors is conflicting
- SMEs in Upper Austria have been focusing on forming international partnerships to cope with increasing competition

Expert interviews findings

- The current situation in Upper Austria: the most crucial aspect for SMEs in service innovation is human resources
- In the future, there might be a lack of qualified workforce and not enough knowledgeable personnel to perform innovation activities
- Supported the literature that giving employees enough time to innovate is one of the most crucial prerequisites supporting innovation creation
- Usually employees in UA SMEs focus on day-to-day activities and do not have enough time to innovate
- The lack of service awareness is the most common organizational hurdle hindering service innovation in SMEs

Expert interviews findings

- Contrary to the literature, the size of the company was assessed as unimportant
- But the number of the years the company is active on the market is of significant importance; the younger the company, the more it tends to innovate
- Employees might be unwilling to innovate due to the lack of defined organizational innovation structures within the company, not fear
- Not having the innovation activities embedded into the structure of the company with formal models in place is one of the most significant innovation barriers in SMEs in Upper Austria

Expert interviews findings

- The most common motivation of employees to innovate are not incentives, but their specific personality
- Supporting the literature findings, SMEs in UA engage in innovation as a reaction to negative changes on the market, not proactively
- SMEs in UA collaborate with customers and universities, additionally suppliers and complementary companies
- SMEs engage mostly in collaboration within Austria due to language barriers and the lack of information
- All experts supported service innovation process formalization

Expert interviews findings

- In UA, the number of SMEs using well-formulated service innovation processes is very low; if so, only the ones with over 50 employees do have some
- The mostly used models in Upper Austrian SMEs are Design Thinking and Stage Gate
- As literature suggests, SMEs do not measure innovation success, and if, then only financial aspects
- Experts suggested to use KPIs: project management, R&D quota, or a percentage of sales with products that did not exist 3 years ago

Conclusion

- Overall, the literature findings are in line with the experience and knowledge of the local innovation experts
- Disparities were the effect of size and age of the company on its innovation activities and the reasons employed do not innovate
- The important of service innovation processes was acknowledged, but local SMEs do not have any conscious innovation processes and do not use any KPIs to track their innovation activities and success
- There is a need for a tool helping SMEs with innovation processes and the alignment of literature and expert findings provides a basis for the development of the online tool in the SIP SME project

Limitations and outlook

- Preliminary findings
- Limited number of experts due to resource constraints
- Self-reported data could not be independently verified
- Ongoing analysis and comparison of UA data to the South Bohemian results of the study
- The authors will use the research findings as a basis for the online innovation measurement tool

Thank you for your attention!