

Servitization as a driver boosting innovation and competitiveness in SMEs in traditional industrial sectors

InnoServit

Brief history of the project

Servitization was a key point in the final findings about non-technological innovation in the INTERREG 4C InnoMot project (2012-2014).

There, regional partners successfully dealt with the objective of defining new policies and programs to support non-technological innovation in SMEs and motivating SME managers to apply them.

A new proposal (InnoMot+) has been presented to the INTERREG EUROPE previous calls without success; this failure was due to factors related with the engagement of the right partners to modify the right policies.

Now, two partners from this initial consortium (Varmland and Valencia), supported by RISE Institute, have joined new strong partners that want to face the questions related with the growing importance of servitization along the last years, and the growing need of regional policy makers to improve and/or to introduce related, targeted, policies.

New partners are participating in the Pilot Action on Industrial Transition Regions, under the coordination of DG Regio, where this issue has been raised as one of the key trends of industrial transition processes.

Servitization is directly linked with the two main trends of Industry 4.0 (leading to mass customization and to increasingly automated production processes, where added value for companies more from products to services) and Globalization (e.g. manufacturing can be relocated, but services need to be provided "on the spot").

The new consortium has been also build-up around the idea and concept of more advanced/less advanced regions in servitization, providing a wider map to identify and analyse good practices, and to define and implement new policies and programmes.

InnoServit is a proposal based in the previous experiences, but with new elements slightly moving the focus to be more decisive and inclusive for the regional economies: circular economy, creative industries, emerging value chains...

All partners, through an intensive use of ICT tools, mails, file sharing, video-conferences, etc., have played a collaborative role in the preparation and writing of the proposal.

C.2 Issue addressed

Servitization is at the core of InnoServit.

It is a process from being internal and product focused to being external, customer and service/solution focused. One could also say that servitization is the process of developing the capabilities that SMEs need to provide services and solutions that

supplement their traditional offerings. Servitization is applicable to all types of companies, although the process could be different for different types of organizations.

In the field of mobility, car manufacturers are already shifting from selling the car to providing services, such as car sharing or Long Term Renting. This implies a change in business model (e.g. different cash flow) and a change in the relationship with the client. Another example is related to the so called ETO sectors (Engineering To Order), that are traditionally characterized by alternation of productions peaks; introducing post-sale services can create more stable cash flows. These processes imply deep changes at business, organizational and technological level, and require also new competences.

Until now, just big companies are doing this kind of processes, and SMEs remains far of it.

It should be noted, that each step on the “servitization ladder”, from goods to services could be seen as one type of business strategy, and that some companies may choose a strategy in the beginning or in the middle of the ladder. It is therefore no direct requirement that companies should be fully servitized. It is up to the companies, their stakeholders and the business structure in which the company acts to determine it. However, starting to climb the servitization ladder increases the opportunities to strengthen the competitiveness because of new perspectives, supplemental service, altered business model etc.

In addition, servitization can contribute to the shift towards circular economy, allowing producing quality products lasting longer and being more service/maintenance friendly, and a good design will help material recovery at the end of product lives.

Moving towards services will presumably also favour local producers as they would be in a good position to help maintaining their products with less effort. From regional policy perspective, servitization is a driver to modernize traditional industrial sectors, with high relevance in the Regions, providing SMEs with high added value to their products and increasing their competitiveness in global markets.

Moving towards services as a part of a public procurement policy may speed up the process and also allow local producers market access.

The current project objectives fully correspond to the main objectives of the Europe 2020 Strategy – achievement of smart, sustainable and inclusive growth. The Europe 2020 Strategy instruments aim at turning innovative ideas into products and services that create growth and jobs. The process of servitization helps the companies to increase their business results, improve their market performance, and open new qualified jobs. This will lead to better performance of regional economies and raising their standards of living.

The current Project is in line with the objective of the Programme and with the objectives of Priority 2: “Competitiveness of SMEs”, Objective 2.1. “Improving SMEs competitiveness policies”, by improving the significance of the regional development policies and programmes related to the SMEs development and modernization of traditional economic sectors.

Interregional cooperation of the partner regions can contribute to the achievement of project’s objectives by collecting, analysing, disseminating and transferring good practices and policy experiences in the field of introducing servitization among regional SMEs, especially these from traditional economic sectors. Through

interregional cooperation, regional policies will be improved with the objective of exploiting and deploying the achieved results. Specifically, InnoServit looks for a north-south cooperation, from more advanced to less advanced regions in this kind of processes.

C.3 Objectives

Overall objective and sub-objectives

Problem

Modernization of regional economies based in traditional industries needs some effective drivers to motivate SME managers to invest in novel processes that are usually far from their regular concerns like markets, financial, technology, etc. Those innovative processes must add value for the users and consumers of the products of the companies, providing them with a significant competitive advantage, implying a change of paradigm for most of the industrial companies: from products to services.

Challenge

To promote and support from the regional administrations a shift in the way managers think about their companies' competitiveness by improving and enlarging their focus from purely technical solutions to innovative servitization processes covering their full value chain.

Objective

To define and implement regional policies to support SMEs in the adoption of innovative servitization processes involving at least 30 SMEs during the project life, minimum 3 in each Region applying the improved policies and programmes. To reach the challenge and to accomplish the objective InnoServit will deploy a set of activities linked with the following

Sub-objectives

1. to engage at least 24 stakeholders along the entire process, with a minimum of 4 per region
2. to identify and analyse 24 good practices about servitization in the participant regions
- 3 to learn from the existing experiences in the partnership, both the regional policies and the regional problems to be tackled, including the expert advisory partner RISE in the learning process
4. to define a single common model for servitization, including policies and programmes
5. to apply a scoring and selection procedure to the good practices identified, peer review and visit the selected ones, at least 12, two from each Region
6. to define 6 regional action plans, and their corresponding monitoring plans, improving the selected policy instruments applying the 'model for servitization', and defining the conditions for the SMEs using the defined programs
7. to monitor the implementation of the 6 action plans and their effect in the regions