

WP5 – Deliverable 5.1.2

Specific Action plan for transferring

Deliverable Update

Deliverable Number D.5.1.2.

Project Acronym	INVESTINFISH
Project ID Number	10042901
Project Title	Boosting INVESTments in INnovation of SMEs along the entire FISHery and aquaculture value chain
Priority Axis	1 – Blue innovation
Specific objective	1.1 – Enhance the framework conditions for innovation in the relevant sectors of the blue economy within the cooperation area
Work Package Number	5
Work Package Title	Knowledge transfer and long-term sustainability
Activity Number	5.1
Activity Title	Coordination procedures for transferring of knowledge
Partner in Charge	(PP1 – SVIM)
Contribution by	LP – t2i All partners
Partners involved	LP – t2i All partners
Status	Final
Distribution	Private

INDEX

1	INVESTINFISH PROJECT	3
2	Pilot Cases and Policy Context	4
3	Actions Envisaged	4
3.1	Re-focus grants and funding for innovation	4
3.1.1	Action description	4
3.1.2	Motivation.....	4
3.1.3	Stakeholders to be involved.....	5
3.2	Develop trainings to increase F&A companies’ decision-making in uncertain scenarios.....	5
3.2.1	Action description	5
3.3	Promote schemes that foster collaboration in the supply chain.....	6
3.4	Address context issues at systemic level	7
3.5	Promoting diversification and resilience of the F&A SMEs	8
3.6	Design Thinking for new business models for F&A SMEs	9

1 INVESTINFISH PROJECT

INVESTINFISH - “Boosting INVESTments in INnovation of SMEs along the entire FISHerY and aquaculture value chain” is a project funded by the Italy – Croatia CBC Programme under the Priority Axis 1 “Blue Innovation”, Specific Objective 1.1 (S.O.1.1) “Enhance the framework conditions for innovation in the relevant sectors of the blue economy within the cooperation area”.

INVESTINFISH sees the cooperation of n. 6 Partners from 5 Different Regions: T2I (LP – Italy – Veneto), Sviluppo Marche (PP1 – Italy – Marche), D.A.Re. Puglia (PP2 – Italy – Puglia), Punto Confindustria (PP3 – Italy – Veneto), Istrian Development Agency (PP4 – Croatia – Istria), Zadar County Rural Development Agency (PP5 – Croatia – Zadar).

INVESTINFISH main objective is strengthening of competitiveness of F&A production system through promotion of investment programs aimed at acquisition of innovation services. INVESTINFISH implements pilot actions providing some IT-HR F&A SMEs with a roadmap to innovation instruments & services, boosting creation of marketable innovative products and/or processes that will improve the SMEs potential market positioning.

Expected benefits for enterprises are: accelerate time to market, increase linkages with innovators, increase F&A enterprises R&D expenditures in new & greener components/technologies/services, to boost HR-IT competitiveness. INVESTINFISH intends also to offer to the F&A sector to substitute the value chain concept with value network, proposing a shift from traditional value chains towards more collaborative value networks.

2 Pilot Cases and Policy Context

Pilot cases carried out in INVESTINFISH allowed to identify specific issues that should be addressed to foster growth and sustainability in the F&A sector and are the basis for the Action Plan presented in this document. Specifically, the actions presented in this document are meant to address the main weakness and threats emerged from pilot cases. Outcome of the pilot cases are described in detail in D4.3.3. Some outputs are discussed also in D5.5.3, as they are especially relevant for the Cross-border collaborative network model for the management of innovation in F&A.

3 Actions Envisaged

In order to support the durability of collaborations and networks activated and INVESTINFISH outputs, an Action Plan was drafted, presented in this document. The Action Plan will be presented by each partner with the local policymaker and stakeholders, in order to discuss the actions and recommendations and how they may be taken into account by local policies.

3.1 Adapt grants and funding for innovation

3.1.1 Action description

INVESTINFISH pilot cases showed very clearly that most F&A SMEs need **innovation**, but they do not need **research**¹. This means that their main need is not to develop new knowledge beyond the state of the art, but to adopt existing technologies and implement them in their context, adapting them to their needs.

Currently, many grants and fundings for innovation apply the definition of “research” (OCSE Frascati Manual) to select admissible proposals. However, this creates a mismatch between funding opportunities and actual SMEs’ needs, since many (if not most) SME’s innovation projects do not fit the OCSE Frascati Manual’s research definition.

ACTION RECOMMENDED: Ensure that access to funding, vouchers, and grants is based on the innovation definition and not on the research definition.

3.1.2 Motivation

The pilot cases showed that companies are mostly interested in technologies with high TRL²: implementation, i.e. technologies that need to be “implemented” more than “developed”

¹ “research” is defined in OCSE Frascati Manual, while “innovation” is defined in OCSE Oslo Manual.

² https://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2018-2020/annexes/h2020-wp1820-annex-g-trl_en.pdf

3.1.3 Stakeholders to be involved

Policymakers:

- Regional Authorities
- Chambers of Commerce
- Industry associations/Business associations

3.2 Develop trainings to increase F&A companies' decision-making in uncertain scenarios

3.2.1 Action description

The pilot cases showed that a main barrier towards innovation in F&A SMEs (as for SMEs in general) is the lack of skills for decision-making in uncertain scenarios.

This is especially relevant for innovation, since results of investment in innovation are uncertain. This poses risks related to:

- **Actual effectiveness** of the new solution.
- Actual **Total Cost of Ownership** of the implemented solution.
- Actual **revenues** or **lower costs** generated by the solution.
- Effective investment **return time**.
- Possible positive/negative **externalities**.
- Uncertainty between (initially) **estimated values** of the various indicators and actual values.

These uncertainties create a barrier towards innovation, as SMEs are not willing to invest without having a clear picture of the return. This “lack of a clear picture”, however, is due to the lack of familiarity with the tools that should be used to evaluate uncertain returns. This gap comes from the fact that F&A entrepreneurs have good technical knowledge, but they lack of financial and economics skills.

ACTION RECOMMENDED: To close this gap, training actions should be developed, aimed specifically at F&A SMEs. Currently, several trainings aimed at start-uppers and aspiring entrepreneurs, but none are focused on already running SMEs.

The basic skills that need to be developed are **scenario analysis** and **sensitivity analysis**. Additionally, further details on how to measure ROI of Innovation Investment, can be provided, and the training could focus on presenting possible valuation methods such as the ones presented in the following table.

Valuation method	Principle
------------------	-----------

Bekrus	Assessment of 5 key success factors
Risk Factor Summation	Value adjusted for 12 standard risk factors
Scorecard	Weighted average value adjusted for similar companies
Comparable transactions	KPIs from similar companies
Book Value	Tangible assets
Liquidation Value	Tangible assets (scrap value)
Discounted Cash Flow	Sum of all future cash flow generated
First Chicago	Weighted average of 3 valuation scenarios
Venture Capital	ROI expected by the investor
Net Option Value	Apply the financial option framework to innovation

3.2.2 Motivation

Nearly all SWOT analysis in pilot cases identify as main threats uncertainty about future of technology, environment (climate change), and difficulties to precisely estimate the actual impact of innovation. However, SMEs involved in pilots showed limited capabilities in analysing and evaluating uncertain scenarios.

3.2.3 Stakeholders to be involved

- Industry associations/Business associations
- Universities (Economic Faculties)
- Business Incubators

3.3 Promote schemes that foster vertical collaboration in the supply chain

3.3.1 Action description

SMEs have a small size not only in terms of number of employees or revenues, but also in terms of role in the supply chain. Effective and impactful innovation may be difficult if other organizations in the supply chain are not involved – i.e., they also update and innovate their processes.

ACTION RECOMMENDED: To address this issue, policies should favor initiatives that engage a wider section of the supply chain. This means funding and grant schemes, but also other initiatives aimed at the sector. It should be noted that this means not only that the policy should target generically “multiple companies”, but companies that have a vertical relationship in the supply chain.

Specific objectives that could be better reached thanks to this approach include:

- development of collaboration, partnerships, regulation, science and innovation.
- fairer and greener supply chains.
- developing direct selling and new and existing markets which deliver sustainable economic benefits.
- matching processing and supply chain capacity with landings and production capacity.

3.3.2 Motivation

The innovations analyzed in the case studies showed that their success relied on some form of involvement of other actors in the supply chain – e.g., information from suppliers, updates in logistics, processing from waste manager.

3.3.3 Stakeholders to be involved

- Regional Authorities
- Industry associations/Business associations
- Clusters

3.4 Address context issues at systemic level

F&A SMEs are strongly impacted by “context” or “systemic” issues (e.g., marine pollution). While there is a willingness to “do their part”, SMEs can not on their own start actions to address these issues. For example, they may be willing to use greener boats or more environmentally sustainable processes, but on the other hand this means costs that constitute a competitive disadvantage against organizations that do not implement those approaches.

RECOMMENDED ACTION: To ensure a leveled playing field, it is important that systemic actions are addressed at systemic level. This means that “systemic actors” should be entrusted projects that address these issues, instead of relying on single companies’ willingness.

The issues that should be approached this way include

- Scenario-impacting projects / infrastructure
- enhancing the marine environment, including its quality, reputation and its marine products
- reductions in emissions or removal of waste
- Widespread adoption of LCA, ISO14001, MSC certification
- Vertical actions

3.4.1 Motivation

Environmental factors are perceived as critical by many companies involved in pilots, however SMEs feel they cannot invest on their own to address the issue, since their impact would be limited, and additionally these actions would create additional costs compared to companies that do not worry about those factors.

3.4.2 Stakeholders to be involved

- Industry associations/Business associations
- Business Incubators
- Clusters

3.5 Promoting diversification and resilience of the F&A SMEs

3.5.1 Action description

Many SMEs depend on a single downstream supply chain. The Covid-19 pandemic demonstrated that this is a weakness since it fully exposes to the variabilities of that single chain. While the pandemic made evident the issue, this was felt also before, as SMEs would have low bargaining power against few large clients. Diversification is a sound strategy to reduce the risk and smooth peaks.

The main reason why F&A SMEs worked only with few clients/supply chain is that a larger number of customers is more complex to manage. In particular, there is a higher time/cost associated to manage more customers, and additionally process differentiation may be required.

RECOMMENDED ACTION: support services that support SMEs in low-added value activities related to multiple customers management could be developed to ease the pain of managing an higher number of customers. This may be an extension of services that already some Business Association provide. Additionally, a better circulation of opportunities in different supply chain and an exchange of experiences and best practices (e.g., through roundtables events) can foster companies into addressing multiple supply chains.

3.5.2 Motivation

While this issue was directly addressed only in some of the pilot cases, this need was discussed many companies involved in the sector. The dependency on few (if not one) customers/channels was a problem during the Covid-19 pandemic lockdowns for many SMEs. For example, some fishers whose only supply chain was targeted at restaurants, were forced to stop their activities during lockdowns, when restaurants were closed, since no one would buy their products.

3.5.3 Stakeholders to be involved

- Industry associations/Business associations
- Clusters
- Consortia

3.6 Design Thinking for new business models for F&A SMEs

3.6.1 Action description

Innovation is not simply “doing the same things better/faster/cheaper”, but first and foremost “doing new things”. This means that it is important to explore possible new way of producing added value, and to give value to the strengths of each SME. This action is also strongly linked to the previous one (Promoting diversification and resilience of the F&A SMEs) as developing new business models may be one of the best paths towards diversification.

RECOMMENDED ACTION: Design Thinking (and its variants) is one of the best methodologies to re-think the business models. Design thinking is a non-linear, iterative process, that focuses on the user needs and desires (expressed, unexpressed, or even subconscious). This approach is especially effective as it is centered on “what has a value for the customer” and can be quite easily translated in business opportunities. A “Design Thinking” service/helpdesk to support F&A SMEs that want to explore new business model could be activated.

Design thinking session can also be managed in a way that foster the exploration of solutions that keep into account general needs of the sector, such as:

- diversification projects which enhance the marine tourism, marine energy, sea fisheries and/or aquaculture sectors or coastal communities.
- improving resilience, including that of communities, supply chains and businesses.
- promoting fair work and opportunities for new entrants to the seafood and marine sectors.

3.6.2 Motivation

Many pilot cases are focused on increasing the market share or trying to enter new market. However, these goals may be better reached with a deeper re-think of the business model used, to find new ways to generate value, addressing the evolving desires and request of the markets.

3.6.3 Stakeholders to be involved

- Industry associations/Business associations
- Universities (Economic Faculties)

- Business Incubators

3.7 Training of operators

3.7.1 Action description

A common issue discussed in the pilot activities is related to the operators training. In many cases, operators are used to perform mostly manual labor. Often, operators are people that have limited familiarity with technologies, and may translate not only in a difficult in use more “technological” solutions, but also in a lack of interest in understanding technology. This is not only an issue of the F&A sector, but of many SMEs in general, and especially in the Italian side.

Italy ranks 18th out of 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI). Looking at 2022 indicators, Italy is narrowing the gap with the EU when it comes to basic digital skills, however still more than half of Italian people do not have at least basic digital skills.

Croatia ranks 21th of 27 EU Member States in the 2022 edition of the Digital Economy and Society Index (DESI), but the country performs well in digital skills, however there is still a persistent gap as regards ICT specialists, which in Croatia accounts for a lower percentage of the workforce than the EU average. The shortage of specialists is significantly affecting businesses’ integration of digital technology, preventing enterprises, SMEs (Small Medium Enterprises) in particular, from tapping the full potential offered by digital transformation.

RECOMMENDED ACTION: Training programmes to upskill operators are needed: training actions should not focus only on the higher end of innovation, i.e. on developing new skills and new knowledge, but also on closing the skill gaps. It is important to address not only the younger and older range of the operators, but the workforce as a whole since this appears to be a general issue.

3.7.2 Motivation

A very common weakness identified in the cases study is the lack of training of operators and the skill gap between the current operator skills and knowledge, and the skill and knowledge needed to work in a “more modern” environment (e.g., digitalization, new materials, new processes, etc.)

3.7.3 Stakeholders to be involved

- Industry associations/Business associations
- Schools / Training centres
- Business Incubators
- Regional Authorities
- Clusters

