



## Summary

# Knowledge diffusion and innovation among Flemish SMEs

**Experience related to knowledge diffusion and innovation policy as identified in sixteen small to medium enterprises**

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This study focuses on the specific context in which SMEs operate and how from this context they may or may not participate in the broader phenomenon of innovation. We appealed to the literature on what innovation is and what innovation policy can look like, as well as to our own earlier research into innovation and innovation policy. In sixteen interviews with SMEs, we examined in depth the barriers and levers for realising knowledge diffusion and innovation. In the interviews with SMEs, a number of considerations were derived that apply to Flemish innovation policy.

The term 'innovation' is defined very broadly at these sixteen SMEs, and it can be both incremental and disruptive. Incremental innovation is - according to the companies - the logical consequence of a quality policy that strives for continuous improvement and innovation. Disruptive innovation in the sixteen companies involved is usually an explicit objective, but may also come about due to a change in market demand or an economic crisis. Disruptive innovation in these companies focuses on new products, which in turn demands innovations in other areas of the business. According to the SMEs in question, innovation in an SME requires a holistic approach and holistic support. All business areas are involved in the innovation process: the development of products and services, production, marketing, etc. Especially a different marketing or adapted business model completes the transition from a non-proactive to a proactive innovation policy. The sixteen companies in the study indicate that they need support not only for technological innovation but also more broadly: otherwise, technological innovation fails to get off the ground. The SMEs in our study requested support for the development of new business models.

Our discussions taught us that innovation in small businesses was less systematically followed up, and alarm bells such as quality problems or declining sales are noted less quickly than in large companies. Warning signs that often are quickly identified in large companies by various support services such as sales or corporate lawyers are much less quickly noticed by managers of SMEs. Primary contacts can play an important role, for example with respect to referrals to other bodies such as provincial innovation centres. By primary contacts we think of the economic professions such as accountants, auditors, supervisory auditors and legal advisers, but also lawyers, notaries and diverse other business consultants. Professional and sector organisations can also play a supportive role. The companies do indicate that it is important that they work well together.

## Points of interest in the study

Based on the interviews at the sixteen SMEs and using the literature study beforehand, we listed a number of points of interest for SME innovation policy.

- SMEs need better information and referral.
  - SMEs need to know where to turn for assistance. The Flemish government and other actors need to reach out to them - preferably with a one-stop shop - but not reach out to them 'twice'. Thus there is also a need for cooperation between players in the field such as professional and sectoral organisations and knowledge centres.
  - It is important to support innovation policy with information campaigns and to correct misconceptions that prevent SMEs from engaging in collaborative projects and open innovation.
  - Specific tasks for the permanent contacts such as accountants of SMEs and/or other relevant primary contacts related to referral can also be considered.
- This support must be sufficiently transparent and accessible.
  - It is important to strive for transparent and complementary innovation structures and instruments, and for adequate continuity in the measures offered.
  - The government must be able to offer services tailored to SMEs, in line with their specific needs, and easily accessible and sufficiently available to them.
  - It is important not to limit support to the technological aspects. Innovation indeed covers all areas of business (marketing, accounting, operations, deployment of personnel).
  - All sixteen SMEs in the study urge more user-friendly administrative procedures. While the conditions for innovation support are not disputed by the companies, the complicated procedures are a source of concern. SMEs ask that subsidy applications be more standardised and reduced to the essentials.
  - For small businesses or joint ventures, it is important to provide affordable (and regionally close) professional guidance. There is much need for legal support and/or assistance from intermediaries in formalising collaborative projects and open innovation. Provincial innovation centres and technology transfer services could be important partners here.
- Education and training for employer and employees are important.
- The employer and employee play crucial roles in the innovation story. It is therefore important to provide training for innovative entrepreneurs and employees, via the normal educational system as well as afterwards. In this, all aspects of business operations deserve attention.
- How innovation is demarcated can make a difference.

Finally, it is important to think carefully about the demarcation of innovation at company level. In the practice of the sixteen companies, we noted that the scientific demarcations of innovation did not always correspond with what was happening in the field. Disruptive innovation in SMEs is often the result of years of work on quality and the search for improvements, without these being labelled innovation in the scientific research or in surveys among businesses. This means that when planning, the government needs to be careful with its use of scientific approaches and

numbers. Practical divisions as used in SME knowledge centres might better reflect reality or more flexibly fill in the boundary between troubleshooting and innovation. This makes it easier to link troubleshooting to, or continue it in, a process of innovation.

*Gert Verdonck (2016), Kennisdiffusie en innovatie bij Vlaamse kmo's. StIA/SERV, Brussels, March 2016*