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WHAT CAN BE LEARNED FROM AN INNOVATION SURVEY?

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Actuality...

'Support to the generation and commercialisation of new ideas, knowledge transfer and user-based studies, global science, innovations and transfer to the creation of goods and services with low carbon emissions and energy storage, use of renewable energy sources and development of technologies, healthy food and commercialisation of eco-system services are only some of the perspective directions for the development of economy.'

Sustainable Development Strategy of Latvia until 2030; Saeima of the Republic of Latvia

Priorities of the Latvian Presidency of the Council of the European Union for research and innovation

- The first one is **enhancing links between Innovation Union and the European Research Area for sustainable growth**;
- **Advancing the European Research Area through the ERA Roadmap and better governance of the ERA**;
- Intention to further advance dossiers such as the Baltic Sea Research and Development Programme (**BONUS**);
- **Unlocking European digital potential for faster and wider innovation through open and data-intensive research** (consistent mainstreaming and further advancement of digital technologies and services, wider innovation in public and private sectors);
- **Advancing Science 2.0 debate.**

Source: <http://wire2015.eu/en/about/latvian-presidency>

Why statistics on innovations is essential?

- Innovation – key to the growth of output and productivity.
- The relationship between innovation and economic development is widely acknowledged.
- Innovation policy should be evidence-based.
- Statistical data on innovation– to better understand innovation and its relation to economic growth; to provide indicators for benchmarking national performance.

The Community Innovation Survey

Since 2002 the Central Statistical Bureau of Latvia (CSB) participates in the innovation survey.

An Innovation Survey in Latvia and EU countries is carried out in accordance with the Community Innovation Survey (CIS).

The Oslo Manual provides the methodological basis for the CIS.

The CIS is a survey conducted by EU member states to monitor Europe's progress on innovation.

The general aim of the CIS is to collect innovation data in order to provide a better understanding of innovation and how it relates to economic growth.

Users of the statistics on innovation

Institutions

- at European level;
- at the national or regional level.

Social actors: employers' association, trade unions, lobbies, at the European, national or regional level.

International, national or regional media –interested both in figures and analyses or comments. The media are the main channels of statistics to the general public.

Enterprises - for their own market analysis and their marketing strategy (especially for large enterprises) or because they offer consultancy services.

Researchers and students, who need access to specific data for research and analyses.

It is widely agreed that one of the key aims of measuring innovation is to help in the formulation of innovation support policy.

Innovation data collected through the CIS are used in several documents:

- the EU 2020 Strategy monitoring,
- the Innovation Union Scoreboard,
- the EU Competitiveness Report.

Other policy areas for which the CIS data are relevant:

- Framework programmes/Horizon 2020;
- sectoral policies;
- small and medium sized enterprises (SME) policies;
- innovative public procurement;
- fiscal incentives;
- ECO-Innovation.

Several countries use the CIS data in their national strategies, for example, Denmark, Spain, Romania, Finland, Malta, Estonia, and United Kingdom.*

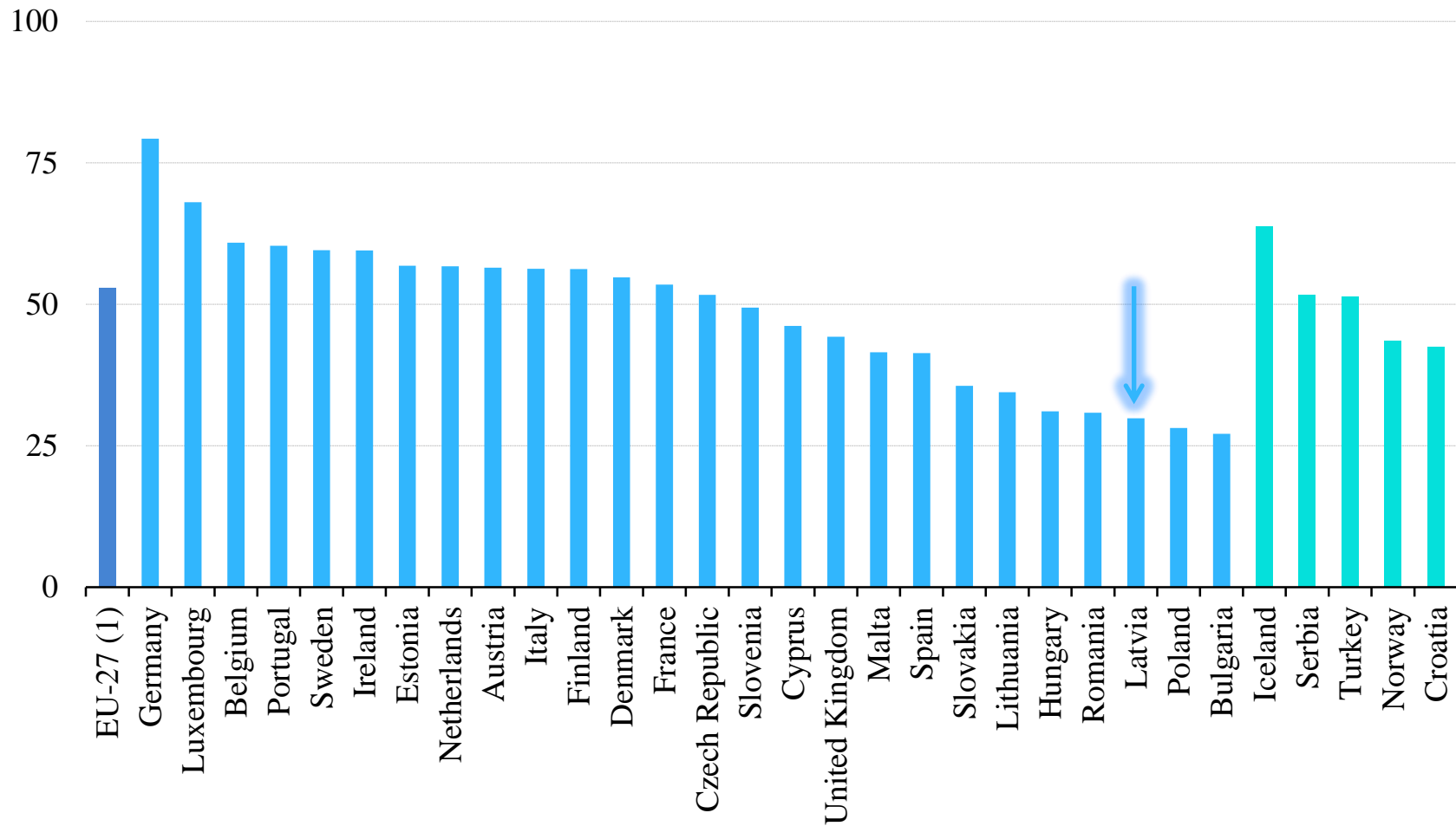
Why Latvian policy-makers do not commonly use the CIS data for its national innovation support strategy?

How to make statistics on innovation appropriate for the development of Latvian research and innovation policy?

** The United Nations University – Maastricht Economic and social Research institute on Innovation and Technology (UNU-MERIT)*

How innovative is Latvia?

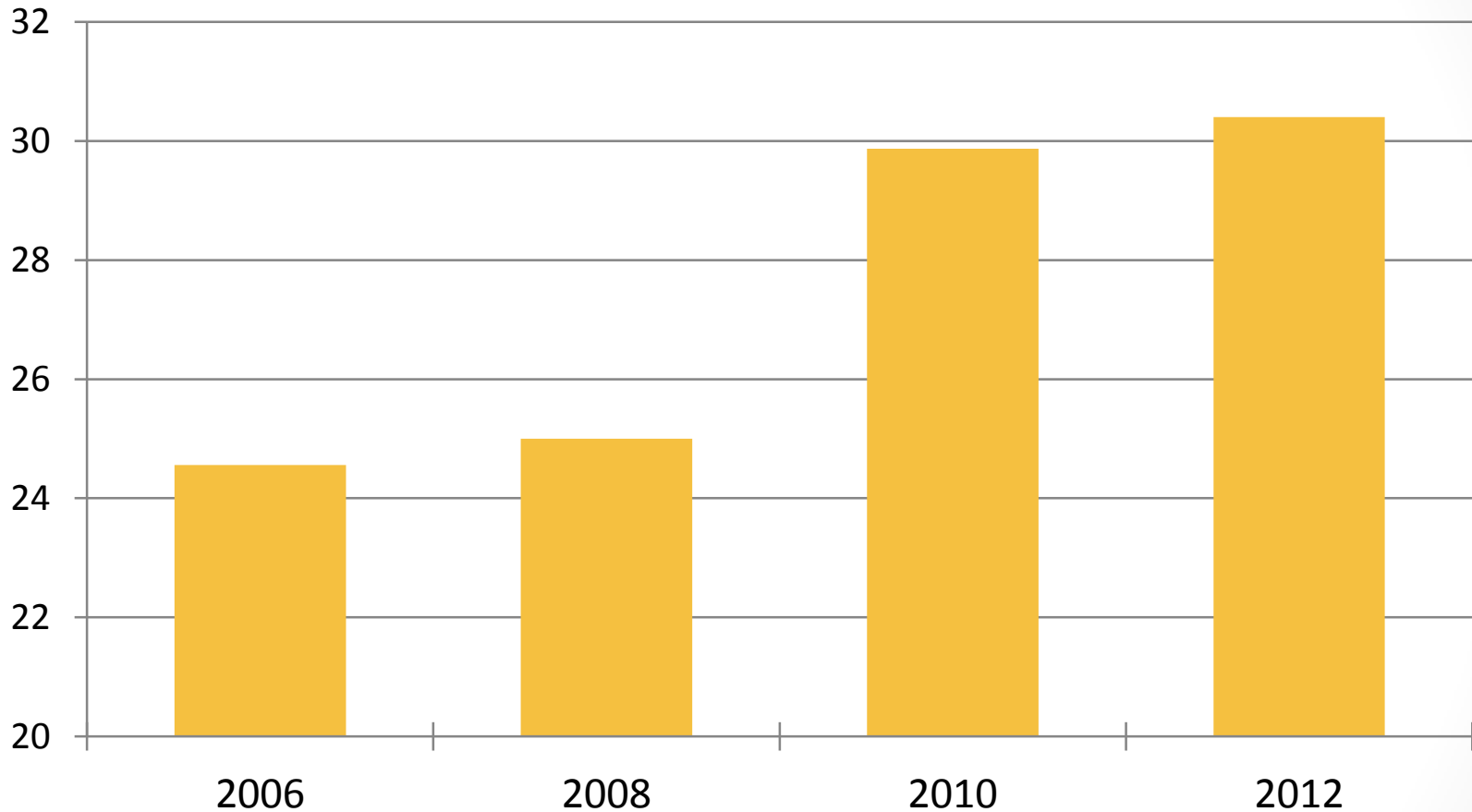
Proportion of innovative enterprises, 2008-2010 (% of all enterprises)



(1) Excluding Greece.

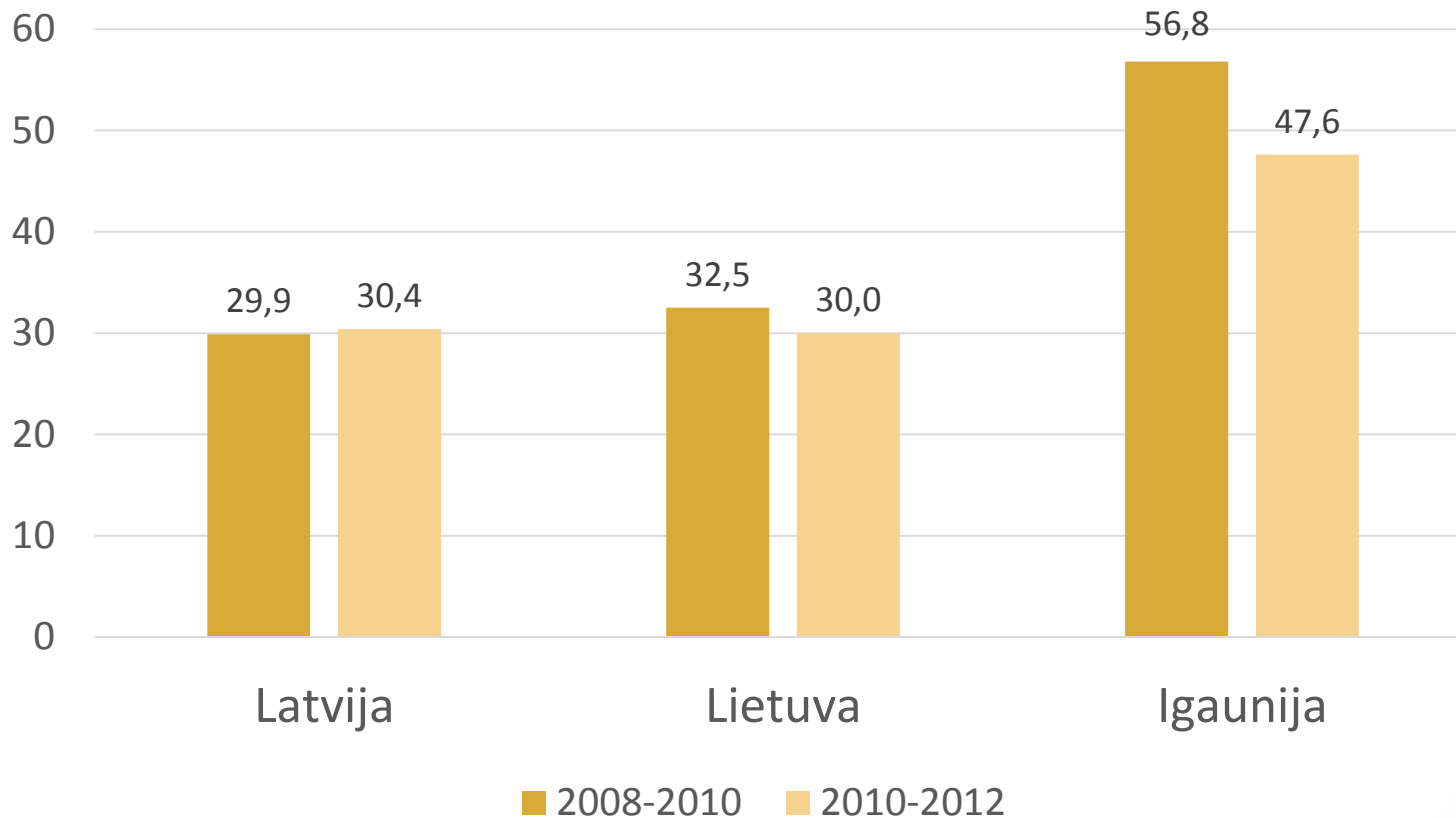
(2) Source: Eurostat

Proportion of innovative enterprises, Latvia (% of all enterprises)



Source: CSP

Innovations in Baltic states



Source: CSP

Goals of innovative and non-innovative enterprises - as highly important and not relevant

	Estonia	Latvia	Lithuania
Enterprises considering a decrease in costs highly important	44,8	56,8	60,2
Enterprises considering a decrease in costs not relevant	1,9	2,9	1,6
Enterprises considering an increase in market share highly important	47,2	55,8	62,2
Enterprises considering an increase in market share not relevant	4,2	4,9	3,9
Enterprises considering an increase in profit margins highly important	61,4	61,3	58,6
Enterprises considering an increase in profit margins not relevant	1,4	2,4	4,3
Enterprises considering an increase in turnover highly important	66,6	71,7	70,1
Enterprises considering an increase in turnover not relevant	1,5	2,8	2,3

Source: Eurostat, <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

Types of co-operation of the enterprises

	Estonia	Latvia	Lithuania
Enterprises co-operating with other enterprises within the enterprise group	23,2	14,0	17,4
Enterprises for which cooperation with other enterprises within the enterprise group is the most valuable method	15,3	8,0	7,8
Enterprises co-operating with competitors or other enterprises of the same sector	13,0	13,9	16,1
Enterprises for which cooperation with competitors or other enterprises of the same sector is the most valuable method	1,7	1,3	1,4
Enterprises co-operating with clients or customers from the private sector	17,2	10,7	22,7
Enterprises for which cooperation with clients or customers from the private sector	5,4	2,8	7,0
Enterprises co-operating with clients or customers from the public sector	9,8	8,8	13,9
Enterprises for which cooperation with clients or customers from the public sector is the most valuable method	1,5	0,4	2,2
Enterprises co-operating with suppliers of equipment, materials, components or software	24,4	19,5	31,8
Enterprises for which cooperation with suppliers of equipment, materials, components or software is the most valuable method	13,6	8,7	16,9
Enterprises co-operating with universities or other higher education institutions	10,8	7,7	18,9
Enterprises for which cooperation with universities or other higher education institutions is the most valuable method	3,1	1,1	4,5
Enterprises co-operating with Government, public or private research institutes	5,0	7,4	11,7
Enterprises for which cooperation with Government, public or private research institutes is the most valuable method	0,6	2,5	1,5
Enterprises co-operating with consultants or commercial labs	11,7	10,7	17,6
Enterprises for which cooperation with consultants or commercial labs is the most valuable method	2,3	0,6	3,2

Source: Eurostat, http://appsso.eurostat.ec.europa.eu/mui/show.do?dataset=inn_cis8_coop&lang=en

Strategies of innovative and non-innovative enterprises - as highly important and not relevant

	Estonia	Latvia	Lithuania
Enterprises that consider building alliances highly important	4,5	2,8	31,4
Enterprises that consider building alliances not relevant	38,9	48,8	10,5
Enterprises that consider reducing costs of purchased materials, components or services highly important	41,9	44,5	46,6
Enterprises that consider reducing costs of purchased materials, components or services not relevant	5,5	8,4	5,6
Enterprises that consider increasing flexibility / responsiveness highly important	45,3	36,0	44,6
Enterprises that consider increasing flexibility / responsiveness not relevant	4,0	10,8	5,4
Enterprises that consider reducing in-house costs of operation highly important	38,3	46,7	53,5
Enterprises that consider reducing in-house costs of operation not relevant	2,8	5,4	1,8
Enterprises that consider introducing new or significantly improved goods or services highly important	23,6	36,8	36,2
Enterprises that consider introducing new or significantly improved goods or services not relevant	12,8	11,2	8,9
Enterprises that consider developing new markets within Europe highly important	26,5	33,5	38,6
Enterprises that consider developing new markets within Europe not relevant	27,9	23,2	25,3
Enterprises that consider developing new markets outside Europe highly important	14,0	25,4	31,1
Enterprises that consider developing new markets outside Europe not relevant	45,2	31,4	32,7
Enterprises that consider intensifying or improving the marketing of goods or services highly important	26,9	27,6	33,4
Enterprises that consider intensifying or improving the marketing of goods or services not relevant	14,0	9,6	9,6

Source: Eurostat, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=inn_cis8_strat&lang=en

EUROPE 2020

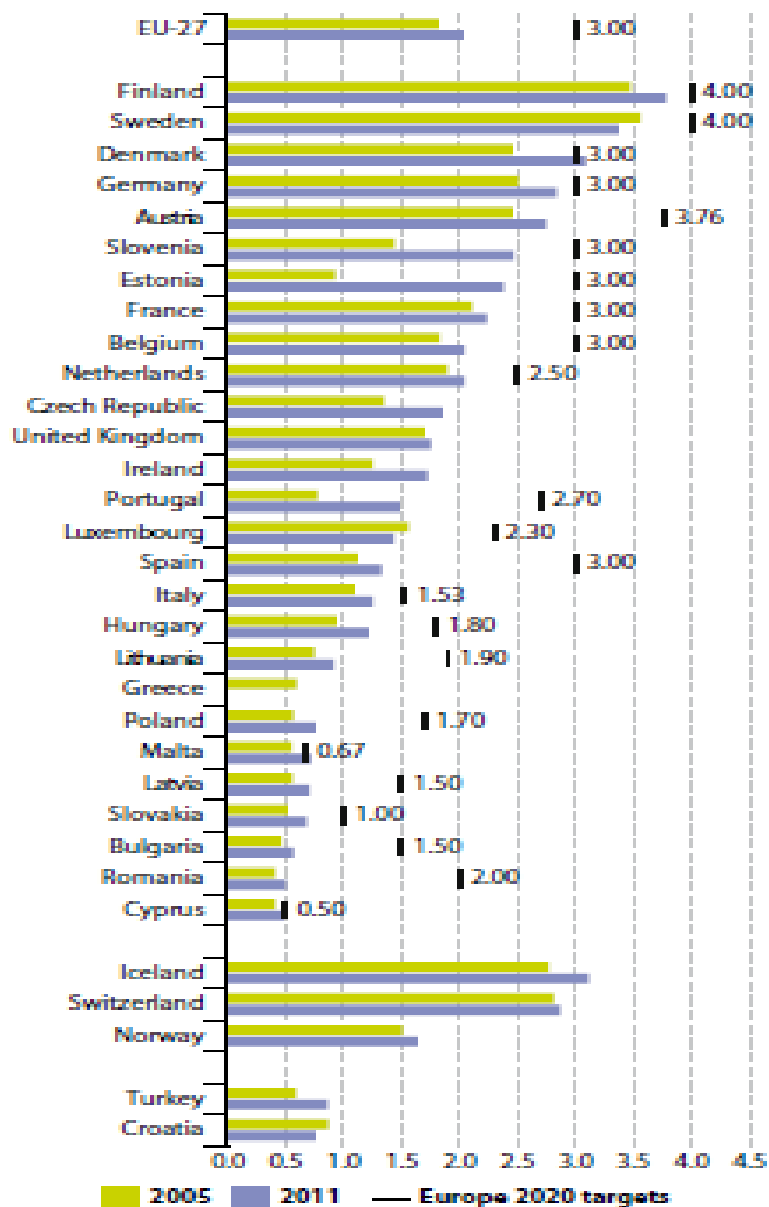
A strategy for smart, sustainable and inclusive growth

The EU currently has a target of investing **3% of GDP in R&D**. The target has succeeded in focusing attention on the need for both the **public** and **private sectors** to invest in R&D but it focuses on input rather than impact. There is a clear need to improve the conditions for private R&D in the EU and many of the measures proposed in this strategy will do this. It is also clear that by looking at R&D and innovation together we would get a broader range of expenditure which would be more relevant for business operations and for productivity drivers. The Commission proposes to keep the 3% target while developing an indicator which would reflect R&D and innovation intensity.

Source: Europe 2020



R&D intensities in 2011 and targets for 2020



(*) 2004 data (instead of 2005) and 2008 data (instead of 2011) for CH; 2009 data (instead of 2011) for IS; 2007 data (instead of 2011) for EL; Estimated data for AT (2005) and for EU-27, SE, DK, DE, AT, IE and LU (2011); Provisional data for BE, BG, DK, EE, IE, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SE, UK and NO (2011); Break in series for DK (2007), FR (2010), NL (2011), PT (2008), SI (2008 and 2011), SE (2005, 2011).

National targets: CZ: 1% (public sector only), EL: to be revised, IE: approx 2% (2.5% of GNP), LU: 2.3-2.6%, PT: 2.7-3.3%, UK: no target.

Studies indicate that the higher a country's average R&D intensity—its expenditure on research and development as a percentage of GDP—the faster its economy is growing today.

Factors hampering innovation and R&D in Latvia

- the short-term planning of government support measures
- repeatedly changing the tax policy
- bureaucracy and administrative burden

A rapid growth in innovation requires a wide range of factors: structural reforms in higher education and science, strengthening of the co-operation amongst enterprises, academia, and the public sector.

Short-term oriented government measures with a heavy administrative burden will hamper enterprises to see these measures as an inviting strategy for R&D investments, which are associated with uncertainty and risk.

Source: the European Social Fund

Some more shortcomings in Latvia

- lack of understanding what innovation actually means

Although the CIS questionnaire contains a definition of innovation (with examples) in practice the answers on the CIS questions are influenced by the respondents' subjective perceptions and that this may influence the reported results.

- not developed a system of national innovation indicators
- lack of co-operation between enterprises and institutions
- lack of co-operation between respondents and statisticians
- lack of systematic approach to manage the quality of statistical data, the quality of statistical data collection and processing process.

Authors view

Research supporting decision-making!

The Innovation Policy Platform (IPP)

The Innovation Policy Platform (IPP) is a joint initiative developed by the OECD and the World Bank. The aim of the platform is to provide policy practitioners around the world with a simple and easy-to-use tool, supporting them in the innovation policy-making process.

The IPP is expected to find a variety of users with different functional and informational needs, including:

- Policy makers who design and implement innovation policy, allocate resources, and set priorities for long-term development and growth agendas
- Policy analysts, particularly from government, universities, think tanks and consultancies, who inform policy making through concept development, analysis and advice
- International organisations who work with countries to improve the design and implementation of innovation policies
- Non-governmental stakeholders such as NGOs, firms, and entrepreneurs who engage in innovation policy processes

Conclusions

The following factors hamper development of innovations in enterprises:

- lack of entrepreneurs' understanding on the role of innovations for ensuring competitiveness,
- lack of cooperation between enterprises and the academic society (there is a lack not only of information but also of interest about a probable cooperation with researchers in the sphere of innovation);
- absence of specific institutions in Latvia which main responsibility area relies on innovation policy creation as well as effective innovation system creation and development etc.

Conclusions

- Another key prerequisite of innovation is concerned with enterprise willingness to experiment and to adopt itself to the modern challenging environment as well as with the ability and willingness of entrepreneurs to find and use knowledge produced outside Latvia.

Some future directions for
innovation measurement which
will make statistics on
innovation more suitable for the
needs of Latvian policy makers

Direction 1

The CIS data are not available on an annual basis. During the time period when the CIS survey is not conducted, it would be necessary to carry out smaller sample surveys with a smaller number of innovative companies (for example, only for large enterprises with 250 and more employees) so as to survey innovative performance characterizing indicators (determining the basic indicators of innovative activity which are essential for development of the innovation support policy) to obtain operational data

Direction 2

The CIS is a sample survey which does not cover all enterprises and sectors of the business economy. In Latvia it would be extremely useful to develop additional innovation survey to collect and compile time series of data pertaining to innovation activities in the manufacturing sectors.

Conclusions and recommendations

Innovation support policy should focus on the following concepts:

- the quality of relationship between customers and suppliers;
- the degree of competitive or co-operative behaviour among institutions;
- enterprises' willingness to co-operate with research institutions and universities;
- the closeness of relationship between enterprises and technology.

Thank You!

