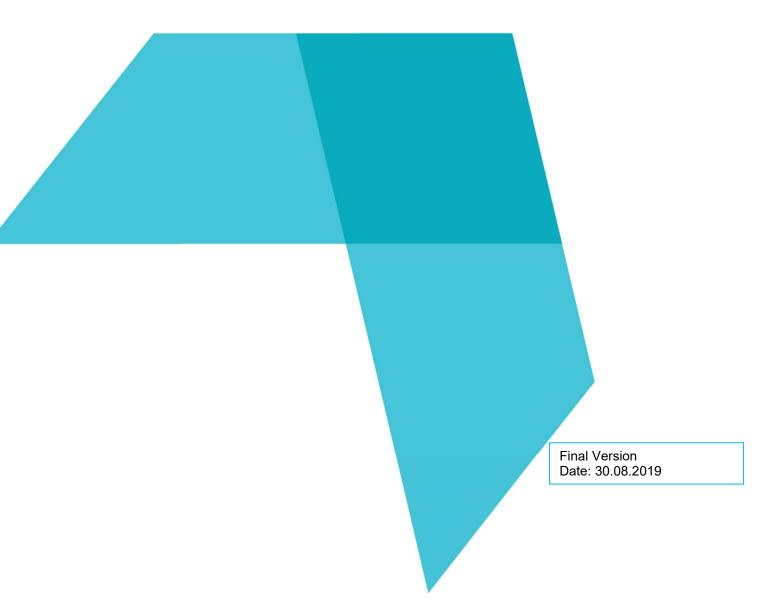




# SKILLS+ ACTION PLAN FOR SAXONY-ANHALT

# SMES DIGITAL: WAYS INTO THE FUTURE









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# List of Abbreviations

- EDRE European Regional Development Fund
- EU European Union
- ICT Information and Communication Technology
- OP Operational Program
- R&I Research and Innovation
- RIS Regional Innovation Strategy







# 1. General Information

| Project              | SKILLS+   |
|----------------------|---|
| Partner Organization | Ministry for Regional Development and Transport |
| Country              | Germany   |
| NUTS Region          | Sachsen-Anhalt                                  |
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# 2. Policy Context

The action plan aims to impact:

⊠Investment for Growth and Jobs program

European Territorial Cooperation program

Other regional development policy instrument

#### Name of policy instrument addressed:

Operational Programme for the European Regional Development Fund (ERDF) of Saxony-Anhalt 2014 - 2020,

Investment Priority 1b: To encourage investment by enterprises in research and innovation (R&I), to develop links between enterprises, research and development centres and the higher education sector (...),

Strategic Objective 2: Strengthening innovation capacities of the economy in the lead markets defined by the Regional Innovation Strategy (RIS)

The ERDF Operational Programme determines the funding expenditures from the European Regional Development Fund for several years. One focus of the current ERDF OP is the promotion of innovation and the intensification of research activities by companies. The five lead markets defined in the Regional Innovation Strategy (1. energy, mechanical engineering and plant construction, resource efficiency, 2. health and medicine, 3. mobility and logistics, 4. chemistry and bioeconomy, 5. nutrition and agriculture) are among the most important target groups for ERDF funding.

In order to increase the innovation potential of companies, strategic guidelines were also included in the RIS in addition to the definition of lead markets, which form a special focus of support.

SKILLS+ project is focused of the two following RIS strategic guidelines:

- Usage of creative industries, information and communication technologies and key technologies as innovation-relevant cross-cutting issues for the development of lead markets and the economy in general (2)

- Development and capitalization of innovation potentials in small and medium-sized enterprises (sme); promotion of endogenous potentials (3).







In order to achieve the above-mentioned strategic objectives of the ERDF OP in conjunction with the RIS guidelines, the Land of Saxony-Anhalt has developed appropriate funding guidelines to support SMEs through ERDF funds.

"Digital Innovation" supports the introduction of digital technologies and processes in companies from Saxony-Anhalt that strengthen competitiveness, innovation and IT security. The funding comprises investment projects for the digitisation of products, production processes, business models, business processes, external presentation, marketing, communication design and, in particular, investments in the IT security of companies.

Digital Creativity" is a subsidy for the development and use of innovative audio-visual media productions, especially with interactive content such as games, apps, cross-media projects, websites, software applications, visual effects and virtual reality.

Both funding opportunities support small and medium-sized enterprises in Saxony-Anhalt in the digitisation process.

Saxony-Anhalt is characterized by a special spatial and economic structure.

Firstly, Saxony-Anhalt has a very low settlement density (108 inhabitants per km<sup>2</sup>). About 90 percent of the area of Saxony-Anhalt belongs to the rural area.

Second: Due to the settlement structures and demographic development, Saxony-Anhalt also has the lowest enterprise density (number of companies per 10,000 inhabitants) in Germany. Another aspect is the structure of the enterprises. Around 89 percent of the companies have fewer than 10 employees and are considered micro-enterprises. Only 0.4 percent of the enterprises are large enterprises. In summary, it can be said that Saxony-Anhalt is a very rural federal state with a small economic structure.

On the one hand, the employment structure of enterprises, especially micro-enterprises, hampered the application for funding, although most SMEs in rural areas of Saxony-Anhalt are active in one of the RIS-defined lead markets and could benefit from the ERDF-funding possibilities. On the other hand, the small-scale economic structure also has a negative impact on the introduction of new information and communication technologies. In addition, experience from earlier funding periods indicates that the majority of the funding will benefit the larger medium-sized companies in the big cities of Saxony-Anhalt or their surroundings.

Especially in an increasingly digitised working world, SMEs in rural regions run the risk of losing competitiveness. Slowly progressing broadband expansion, a good order situation, limited financial and personnel resources of the companies contribute to the fact that SMEs in particular have a lot of catching up to do in the implementation of information and communication technology (ICT). Targeted strategies and funding instruments can help to reduce these obstacles of market participation and optimise internal work processes.







# 3. Introduction of the Action Plan: Ways to into the Future

Based on the project modules - consisting of a baseline study, good practice collection, peer review procedures and regular working meetings of the regional SKILLS+ stakeholder - existing knowledge about the applications of ICT in SMEs and the obstacles of implementation could be revised and updated.

The baseline study within the SKILLS+ project made it possible to analyse the statistical data on ICT and digitisation in SMEs. Based on the statistical data and interviews with the stakeholder of the SKILLS+ working group a SWOT-analysis was carried out. Six fields of action with main challenges were derived from the study. Another important module was the peer review of our European project partners. The challenges were confirmed or supplemented with an unobstructed "view from outside" and possible solutions approaches were identified.

The most important results from the baseline study and the peer review process are summarised in the table below.

| Field of Action  | Challenges (Baseline Study)  | Recommendations (Peer Review)   |
|--|--|---|
| Strategic<br>orientation at<br>country and<br>regional level | <ul> <li>Distribution of competences and responsibilities regarding ICT and digitisation</li> <li>Significance of ICT for SMEs on the digital agenda</li> </ul>  | <ul> <li>Better coordination and<br/>cooperation between the different<br/>strategies</li> <li>Regional strategies to promote<br/>digitisation in rural areas</li> <li>Good practice in Norway:<br/>eTrøndelag</li> </ul> |
| Infrastructure   | Comprehensive broadband     access in rural areas  | Expansion of infrastructure   |
| Policy and<br>funding  | <ul> <li>Complex advisory structure<br/>(access to information,<br/>consultation)</li> <li>Expenses for application and<br/>accounting of subsidies</li> <li>Appropriateness of existing<br/>funding for rural SMEs</li> </ul> | <ul> <li>Simplification of advisory<br/>structures and access to<br/>information (including online<br/>solutions)</li> <li>Information on new laws and<br/>regulations and their<br/>consequences</li> </ul>              |







| Field of Action                                | Challenges (Baseline Study)  | Recommendations (Peer Review)  |
|--|--|--|
| Qualification of SMEs                          | <ul> <li>Shortage of qualified personnel<br/>with ICT skills</li> <li>Lack of supporting service<br/>providers</li> <li>Obstacles to cooperation<br/>between universities and<br/>companies</li> </ul> | <ul> <li>Focus on highly qualified<br/>education as an attractive<br/>opportunity for IT experts</li> <li>Good practices in Norway: ST-<br/>online, "koding for Kingsda"<br/>initiative, knowledge broker</li> </ul> |
| Education                                      | <ul> <li>Teaching basic IT skills in schools</li> <li>Teaching IT skills in vocational education and training</li> </ul>   | <ul> <li>Funding opportunities/<br/>Scholarships for students in<br/>Saxony-Anhalt with an IT<br/>connection</li> <li>Information/ campaigns for<br/>younger people on IT opportunities<br/>in the region</li> </ul> |
| Obstacles on<br>the<br>entrepreneurial<br>side | <ul> <li>Time required for the transformation of work processes</li> <li>Investment amounts</li> <li>IT security</li> <li>Uncertainty about data protection and further legislation</li> </ul>         | <ul> <li>Motivation of SMEs, especially in<br/>rural areas</li> </ul>  |

The regional stakeholders of SKILLS+ project have taken up the two following challenges and approaches from the baseline study, peer review process and good practices for their actions:

- Regional strategies to promote digitisation in rural areas,

- Motivation of SMEs, especially in rural areas.

On the one hand, a regional digitisation centre is to be established in one of the sparsely populated regions in order to implement the digital strategy of the state locally and adapted to regional conditions, to initiate and accompany new funding projects and as a supporter and motivator for SMEs to take part in the calls for funding, in particular within the framework of the "digital innovation" and "digital creativity" funding guidelines.

On the other hand, a low-threshold, partly location-independent (webinars) information service is to be created, especially for SMEs in rural areas. The aim is to increase the online/digital visibility of companies and to promote ICT competence and its implementation in SMEs.







Both actions should:

- close existing gaps in the information and support structure for digital innovation in SMEs, particularly in rural areas,
- increase the awareness of the available funding instruments and thus the demand for funds,
- ensure and increase the application for funding from rural areas and at the same time the quality and innovation of the measures applied for, and
- accelerate the outflow of funds from the funding guidelines derived from the ERDF OP, Investment Priority 1b, Specific Objective 2 and the RIS guidelines mentioned above.

Through cooperation at regional level with the various actors from administration, chambers and associations as well as universities, it was possible to address the challenges and exchange different points of view. The resulting network has been consolidated and works intensively together in various formations an also in other subjects as well.

#### Action 1: Regional Digitisation Centre Altmarkkreis Salzwedel

#### Background

Saxony-Anhalt has been dealing with "digital change" and its economic effects for years. Accordingly, a state-wide strategy has been developed to improve the framework conditions for the digitization of the state. The analysis within the framework of the SKILLS+ project have shown that the nationwide strategy (Digital Agenda) for the regional implementation must be concretized. Only regional digitisation strategies can address the heterogeneity of rural districts and counteract their region-specific challenges. The Norwegian project partner's project "eTrøndelag" was an inspiration and a good example of how the strategic development at the regional level can be shaped in terms of organisation and content.

The Altmarkkreis Salzwedel with 37 inhabitants per km<sup>2</sup> is very sparsely populated. Due to the demographic development, existing economic and social challenges are intensified. The digital transformation process in the region is to be accompanied by the establishment of a regional digitisation centre. Digitisation is seen as an opportunity, as it can, among other things, offer location-independent solutions in the areas of services of general interest and thus improve the quality of life (e.g. telemedicine, education) and increase the attractiveness of a business location (ICT-affine companies, ICT-dependent companies).







#### **Objective**

On the one hand, the Regional Digitisation Centre Altmarkkreis Salzwedel will be responsible for the development, coordination and implementation of a regional digital strategy, that takes the regional conditions and needs takes into account.

On the other hand, the Regional Digitisation Centre will strengthening the network activities with the aim of initiating new funding projects in the region. The complex funding system and constantly changing framework conditions require a lot of know-how and knowledge of formalities. Many SMEs are unable to participate in the existing funding programmes due to a lack of professional and financial resources and knowledge. Through the establishment of a regional funding management for the topics of digitisation and ICT, it should be possible to acquire more (ERDF) funding for the region and local companies. These measures should increase the innovative strength of the companies and the region. The main topics are tele medical applications/ school education of tomorrow/ energy and electro mobility/ innovative mobility concepts as well as smart farming and agriculture.

#### Action

#### Activity 1: Development of a Regional Digital Strategy

A situation analysis should classify the district in its digital development, determine the needs and digitisation potentials as well as identify relevant successful projects from other regions. From the results short, medium and long-term measures are derived for the Altmarklandkreis Salzwedel.

#### Activity 2: Establishment of a Network

With the aim of acquiring projects and funding for the digital needs of the district, a network of local and regional key actors from politics, business, administration and science is being established.

#### Activity 3: Initiation of Projects

Based on regional digital needs and with support of the network, digitisation projects should be successfully applied for funding and implemented. The Regional Digitisation Centre supports, informs and accompanies the actors in the acquisition of funding and project implementation.







#### **Player involved**

- County of Salzwedel
- Ministry for Economy, Digitization and Science

The County of Salzwedel is responsible for the implementation of the Action 1 "Regional Digitisation Centre Altmarkkreis Salzwedel".<sup>1</sup> The Ministry of Economy, Digitisation and Science is the funding agency for the action and at the same time responsible for the management of all funding guidelines of investment priority 1b, specific objective 2 of the Operational Programme for the European Regional Development Fund (ERDF) of Saxony-Anhalt 2014 - 2020.

#### Timeframe

| 12/2018        | _ | Application  |
|----------------|---|--|
| 01-05/2019     | _ | staff acquisition  |
| from 03/2019   | _ | Development of the Regional Strategy for Digitisation                    |
| from 05/2019   | _ | Establishment of a regional network                                      |
| from 06/2019   | _ | Initiation of projects   |
| from 07/2020   | _ | Evaluation   |
| from 10/2020 - | _ | Consolidation of the Regional Digitisation Centre Altmarkkreis Salzwedel |

#### Costs

| Total cost:                                  | 262.830,52 Euro |
|--|-----------------|
| Funding sources:                             | 200.000,00 Euro |
| Additional funds of responsible institution: | 62.830,52 Euro  |

<sup>&</sup>lt;sup>1</sup> Originally, it was planned that the Zweckverband Breitband Altmark is responsible for the implementation of the action. The Zweckverband is an association of several local authorities, also the County of Salzwedel. Due to the fact that the Zweckverband broadband Altmark has a defined task profile, the responsibility of the action was transferred to the County of Salzwedel.







#### **Funding sources**

Around 75 percent of the funding for the action comes from state subsidies (Digital Dividend II programme, auction of broadcasting frequencies), which are administered by the Ministry of Economics, Digitisation and Science. The remaining 25 per cent will be taken over by the responsible body, the County of Salzwedel.

#### Expected impact of the action

The Regional Digitisation Centre contributes to improve the conditions for the implementation and use of ERDE OP funds through the strategic and project-related orientation of the action. The establishment of the Regional Digitisation Centre will also bring know-how to a rural region that will make it possible to reach new target groups for ERDF funding.

#### Action 2: Digitisation Offensive for SMEs

#### Background

The analysis in the SKILLS+ project showed that there is a lack of low-threshold counselling services for SMEs in the field of digitisation or that existing counselling services are only taken up to a limited extent. In particular, the regular exchange of information between the various stakeholders within the SKILLS+ stakeholder group has highlighted these challenges. Furthermore, the funding opportunities for digitisation processes of SMEs are perceived as very complex. This was also confirmed in the peer review process. The most important recommendations from the peer review process are: target group-oriented information in a low-threshold way, simplification of advisory structures and funding modalities.

Digitisation and the increased use of new information and communication technologies offer considerable potential for process optimisation, making work processes and locations more flexible, opening up new markets and optimisation of customer and business relationships. In addition, new technologies and knowledge enable changed business processes and business models. This applies in particular to companies located in rural areas. However, studies and the experience of the stakeholders show that many SMEs are currently investing only marginally in the field of ICT. The action was developed to reduce the mentioned obstacles.

#### **Objective**

The aim of the project is to use campaigns to raise awareness of the topic of digitisation/ICT implementation through online and offline events in various formats and to show ways in which these technologies can be integrated into business and what added value they offer. In







addition, event formats should also point to existing funding instruments. Since cooperation between the individual players in the digitisation process is particularly difficult, the digitisation offensive is also intended to bring together players from the traditional trades with the ICT industry. In addition to basic information on the subject of digitisation, companies are to be encouraged to apply more for ERDF-funded programmes.

- Raising the awareness of small and medium-sized enterprises for the topics ICT and digitalisation
- Creation of a low-threshold information service, in particular through events in rural areas and location-independent media (webinar).

#### Action

#### Activity 1: Campaign to raise SMEs awareness of ICT and digitisation

An information and marketing campaign will be launched to raise awareness of digitisation in SMEs. In particular, pioneering companies are to act as ambassadors and demonstrate the added value and potential of the use of ICT and digitisation for SMEs. Addressing them at "eye level" and from "colleague to colleague" is intended in particular to arouse the interest of other entrepreneurs and reduce possible inhibitions. The information and marketing campaign will be spread across conventional and modern media in order to reach as wide an audience as possible.

#### Activity 2: Elaboration of different event formats

In a further step, events will be organised to inform SMEs about ICT and digitisation. In order to reach a large number of SMEs in rural regions, the events will be held regionally, i.e. in rural areas, on the one hand, and via location-independent media (web meetings, webinars, etc.), on the other hand. In terms of content, these events deal with various aspects of digitisation and ICT. Examples are data security, strategic planning of the digital transformation process, visibility through search engines, optimisation of work processes through the use of ICT, etc.

#### Activity 3: Networking of SMEs with IT and creative industries

Networking events (workshop discussions, etc.) are intended to bring classical entrepreneurs together with the IT industry and creative industries. The background to this is, that there is a lack of encounters between digital product developers and the user side, in this case the classic companies. In order to bring ideas from "both worlds" together, meeting platforms and knowledge of the requirements and needs of the respective side are needed. Innovation can only be driven forward through the exchange of industry-specific requirements and the integration of digital product development and implementation in traditional companies. In







particular, projects resulting from such cooperation are eligible for funding from the European Regional Development Fund through special funding guidelines (e.g. DIGITAL CREATIVITY, DIGITAL Innovation).

The preceding measures are intended to show SMEs ways in which they can reposition themselves in the context of digitisation, optimise work processes and open up new markets.

#### Players involved

- Chamber of Craft Halle
- Ministry for Economy, Digitization and Science

The Halle Chamber of Craft Halle is responsible for the implementation of the Action 2 "Digitisation Offensive for SMEs". The Ministry of Economy, Digitisation and Science is the funding agency for the action and at the same time manages all funding guidelines of investment priority 1b, specific objective 2 of the Operational Programme for the European Regional Development Fund (ERDF) of Saxony-Anhalt 2014 - 2020.

#### Timeframe

2018 - 2020

#### Costs

| Total cost:                                  | 491.000,00 Euro |
|--|-----------------|
| Funding sources:                             | 393.000,00 Euro |
| Additional funds of responsible institution: | 98.000,00 Euro  |

#### **Financial sources**

80 percent of the funding for the action comes from state subsidies (Digital Dividend II programme, auction of broadcasting frequencies), which are administered by the Ministry of Economics, Digitisation and Science. The remaining 20 per cent will be taken over by the responsible body, the Chamber of Craft Halle.







#### Expected impact of the action

The aim of the action is to sensitise previously unattained target groups, in particular craftsmen in rural areas, to the topics of ICT and digitisation. The knowledge transfer and establishment of networks are intended to generate new project applications for the ERDF funding from actors who have not yet been reached.

### 4. Indicators to evaluate the action plan's impact

|          | Quantitative Indicators  | Qualitative Indicators  |
|----------|--|---|
|          | Development of a regional<br>digitisation strategy   |   |
| Action 1 | Number of firmly involved network partners   | <ul> <li>Evaluation of the network (satisfaction of<br/>the network partners, achievement of<br/>objectives)</li> </ul>                                   |
|          | Number of initiated projects   | <ul> <li>Degree of innovation of the initiated<br/>projects</li> </ul>  |
|          | • Amount of follow-up investments (incl. subsidies applied for)  |   |
| Action 2 | Number of participants for the<br>business event formats   | <ul> <li>Evaluation of event formats by<br/>participants (addressing and reaching<br/>target groups, satisfaction, quality of<br/>information)</li> </ul> |
| ACTION 2 | <ul> <li>Number of new business<br/>collaborations, which develop or<br/>apply digital innovation</li> </ul> | Synergy effects through cooperation   |

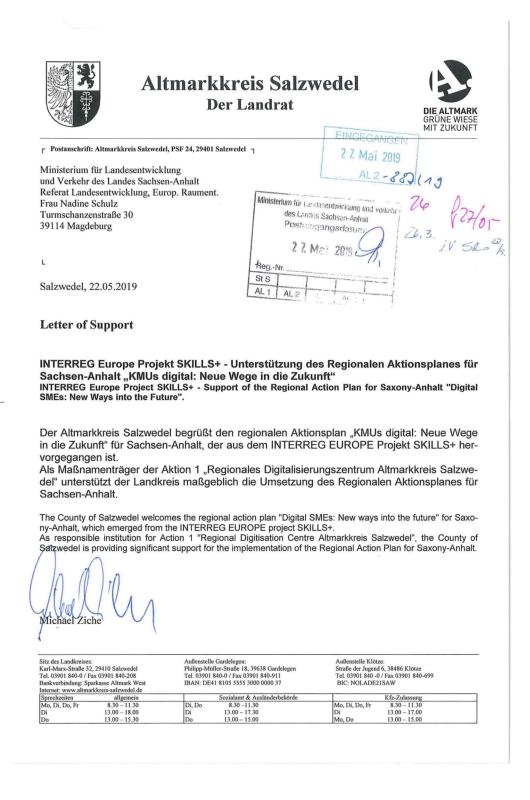






5. Policy Endorsement

Action 1:

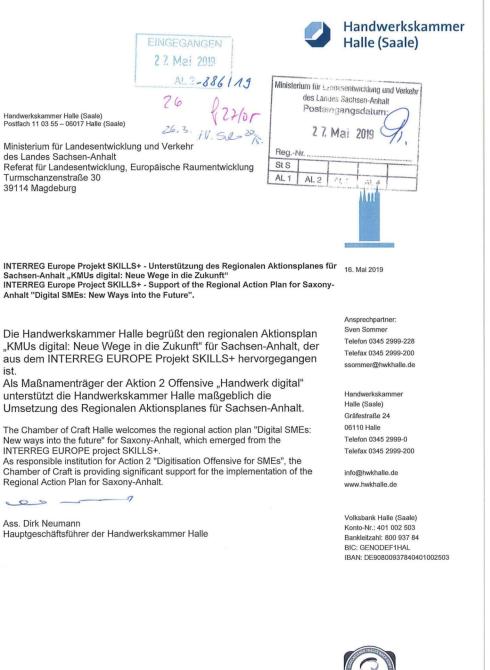








#### Action 2:



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