

Mapping Innovation Policy in Services (IPPS)

Country Report Germany (Baden-Württemberg)

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Technology and Innovation (Tekes) and the
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Baden-Württemberg

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Policy actors addressing service innovations in the innovation system

With regard to the German innovation system, there are political actors on the Federal, State or *Länder*, as well as regional level who support service innovations by concrete measures (see fig.). Apart from this, different initiatives were started in the recent past to strengthen the German innovation system as a whole and to improve integration among the political levels. After outlining the three political levels briefly, the report on hand focuses the State level (Baden-Württemberg).


| | Policy Level | Policy Actors | Service Innovation Policy Focus |
|---|---------------------|---|--|
| | Federal | <ul style="list-style-type: none"> ▪ Federal Ministry of Education and Research (BMBF) | <ul style="list-style-type: none"> ▪ Services Research |
| | | <ul style="list-style-type: none"> ▪ Federal Ministry of Economics and Technology (BMWi) | <ul style="list-style-type: none"> ▪ Federal support of economic development ▪ Structural service economy issues |
|  | State | <ul style="list-style-type: none"> ▪ Ministry of Economic Affairs, Baden Württemberg | <ul style="list-style-type: none"> ▪ State/<i>Länder</i> support of economic development |
| | | <ul style="list-style-type: none"> ▪ Ministry of Economic Affairs, North Rhine-Westphalia | <ul style="list-style-type: none"> ▪ Transfer from research into practice ▪ Research infrastructure improvement |
| | Regional | <ul style="list-style-type: none"> ▪ Regional, municipal, and local authorities ▪ Trade and professional associations | <ul style="list-style-type: none"> ▪ Support of innovation cluster development ▪ Support of regional development ▪ Infrastructure improvement |

Fig.: German policy actors addressing service innovation

Policy actors

At the Federal policy level the leading policy actors who are responsible for service innovations are the Federal Ministry of Education and Research (BMBF) and the Federal Ministry of Economics and Technology (BMWi). The Federal Ministry of Education and Research has pursued its own service research programme since several years. Apart from this, services are represented as a cross-sectional topic within other research programmes (like in IT research programmes, etc.). The activities of the Federal Ministry of Economics and Technology (BMWi) stronger aim at nationwide measures for the support of economic development, from which service companies make a growing profit. The Federal Ministry for Economics and Technology is also responsible for the structural aspects of service sector regulation (e.g. "services directive").

At the State or *Länder* policy level, above all the economic ministries of Baden-Württemberg und North Rhine-Westphalia (NRW) support concrete measures to foster the service sector. Both *Länder* started systematic action programmes in the past to strengthen the service economy. The range of activities reaches from measures to support the regional economic development, via activities to improve the mutual transfer among service economy, politics, and service research, to smaller support activities (analyses, for instance). The latter address the regional service research.

Finally, there are also activities at the regional policy level. At least implicitly, these activities aim at strengthening the service economy and at supporting service innovations. Policy actors on the regional level are, above all, regional, municipal, and local authorities as well as regional networks beside trade and professional associations. The activities focus on an improvement of regional structures, on a support of innovation cluster development, and on infrastructure improvement. Against the background of an increasing change of the economic structure (Ruhr area, etc.), these support measures are more and more directed towards services.

The structure of the innovation system of Baden-Württemberg

Economic Structure of Baden-Württemberg

Despite the traditionally great importance of the SME-characterised processing industries in Baden-Württemberg¹, services meanwhile account for more than 60 % of the gross value added (see Fig.).

Services are of increasing importance for the labour market of Baden-Württemberg, too. So, in Baden-Württemberg, as in Germany as a whole, since several years positive employment effects have come from the service sector only. Within the service sector employment has risen most with business service providers (+ 44 %), and risen less with trade, catering and transport (+ 9 %).

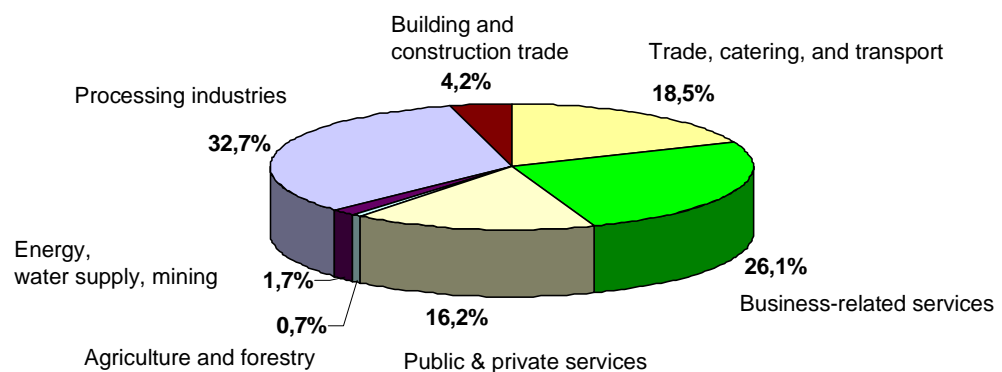


Fig. Gross value added: shares per sector (Source: *Jahreswirtschaftsbericht Baden-Württemberg 2005/2006*)

¹ Today, more than 50% of the total workforce is employed in small and medium-sized enterprises (SME's).

The great importance of business related services shows a close and complementary interrelationship between the industrial and the service sector. In particular, business related services benefit from the efficient industrial basis on which they can unfold their growth and employment effects. Of particular importance among those business related service areas are: research and development (R&D), media, information and communication services as well as financial services, and consultancy.

Key players of the Baden-Württemberg innovation system

Important actors of the Baden-Württemberg innovation system are governmental authorities as well as commercial financial institutions and foundations. Further key players are from research in and outside university and from the field of knowledge and technology transfer.

Governmental authorities

The support of innovation is manifold and takes place by a number of governmental and administrative authorities of Baden-Württemberg:

- by the Ministry of Economic Affairs
because of its responsibility for economic and technological policy, which includes the support of certain business-related research institutions outside university,
- by the Ministry of Science, Research, and Art
because of its responsibility for *Hochschulen* (for the most part *Fachhochschulen* or universities for applied science, and universities), for research outside university, and for research policy,
- by the Ministry of Environmental Affairs
because of its responsibility for environmental research and technology, by means of the BW PLUS support programme, and by research competitions regarding fuel cell and natural heat of the earth research,
- by the Ministry of Food and Rural Areas
because of its responsibility for agricultural research,

- by the Ministry of State
in particular because of its responsibility for media policy.

Financial institutions

Beside the support measures of governmental authorities, the financing of innovation, particularly in connection with SME support, is of great importance on State policy level. Important respective institutions of the *Land* Baden-Württemberg are, for instance:

- the *Landeskreditbank*, the *Bürgschaftsbank*, and the *Mittelständische Beteiligungsgesellschaft* as financial institutions, and
- a foundation: the *Landesstiftung*.

Hochschulen and research institutions

Baden-Württemberg has a developed and efficient infrastructure of research institutions and *Hochschulen* (for the most part universities and universities for applied science). In greater detail this infrastructure consists of:

- 9 universities,
- 23 Fachhochschulen (universities for applied science), financed by public means of the Land Baden-Württemberg,
- 11 public test and research institutions for agriculture and forestry,
- numerous research institutions outside university, like the Max Planck research association, or the Fraunhofer research association (which are, however, no institutions of the Land Baden-Württemberg),
- the Steinbeis Foundation, established by the Land Baden-Württemberg, with its – in all Germany – more than 400 centres for the support of knowledge transfer between research and economy.

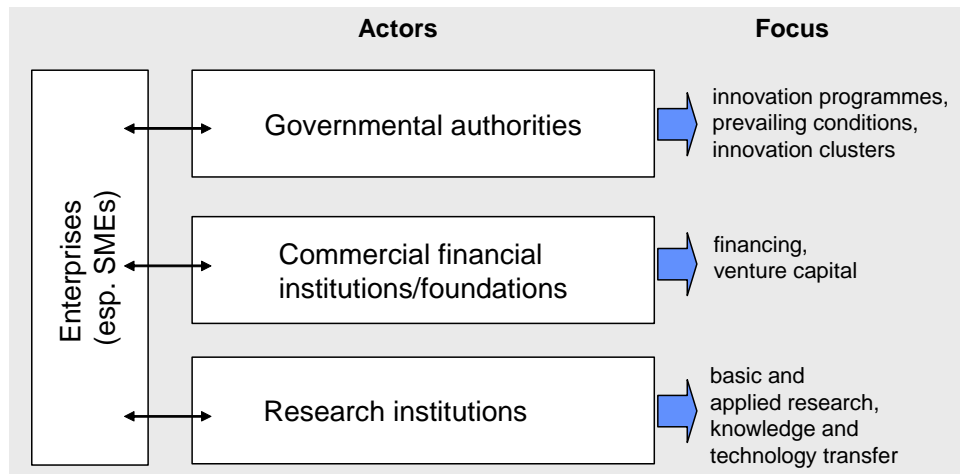


Fig. Important actors in the Baden-Württemberg innovation system

Essential features of the innovation policy of Baden-Württemberg

Baden-Württemberg is one of the most innovative European regions. Among other things this is reflected by the R&D support figures:

Gross domestic product (GDP) shares of expenditures for R&D:

| | |
|---------|------|
| BW: | 3.9% |
| Germany | 2.5% |
| EU | 1.9% |
| USA | 2.6% |
| Japan | 3.2% |

The greatest part of the R&D expenditures (about 80 % or 12 thousand million Euro) are from companies. This underlines the great importance of innovation for the SME-characterized industry.

Therefore, the innovation policy of Baden-Württemberg mainly focuses on measures for the integration of economy and research, for technology and knowledge transfer, and for regional innovation cluster support. Against this

background, the innovation and technology policy bases on the following principles (see fig.)

- ➡ Focus on SME support (*Mittelstandsförderung*)
- ➡ Focus on prevailing conditions and infrastructure improvement
- ➡ Assistance for self-help
- ➡ No subvention but start or part financing
- ➡ Less research in the framework of research programmes
- ➡ Core competences (to foster given strengths)

Fig.: Principles of the innovation and technology policy of Baden-Württemberg

How do policy actors address service related innovations?

Governmental Activities

The Ministry of Economics of Baden-Württemberg reorganised the Service Economy Department as a part of the Ministry of Economic Affairs in the beginning of the year 2002 with a view to the accelerated structural change towards services in the economy of Baden-Wuerttemberg. The purpose and task of this department is to identify hitherto unused potentials for innovation, growth and employment in the service sector of the federal state and to develop and support activities for tapping these potentials together with partners from the business organisations.

The fields of action and the activities of service-related politics are bundled under the umbrella of the **“Baden-Wuerttemberg Services Offensive”** which originates from an initiative of the Enquete Commission on Medium-Sized Enterprises. This umbrella mark also covers the activities for strengthening the banking and financing sector, i.e. Baden-Wuerttemberg as a financial centre. Financing of medium-sized enterprises is closely linked with this on a technical and organisational level.

The Services Offensive aims particularly to strengthen the integration of industry with innovative services that are close to production and business, at supporting service enterprises in the development of new markets especially in the supra-regional and international areas, at promoting important service-related fields of growth in Baden-Wuerttemberg, especially in the areas of leisure and event economy, health services, business services and household-related services with projects and pilot schemes and at the promotion of a service mentality in all sectors of the economy by information, qualification and consulting offers and by organising contests.

Completed projects and events

A few examples of projects and events that have taken place in the past few years within the scope of the Services Offensive are listed below:

- Service provider database for household-related services: “Machen Wir” (“We’ll do it!”).

- Services atlas of Baden-Wuerttemberg: Structures, developments and perspectives of the service business in Baden-Wuerttemberg.
- Service diversification as a potential for employment and value addition (“Analysis of Exports/Imports and the Internationalisation of Services for Germany and Major Competitors” as well as “Services Abroad as Best Practice for the Economy of Baden-Wuerttemberg”).
- The economic significance of the Football World Cup 2006 at the Stuttgart venue for the region and for Baden-Wuerttemberg.
- “Service Provider of the Year” award: This contest is organised every two years. It has already taken place in the years 2000, 2002, 2004 and 2006 and the planning for the contest in 2008 is currently under way. So far, the “Service Provider of the Year” award has been granted in the fields of “ideal customer-friendliness”, “exemplary development, implementation and propagation of a service idea” and “outstanding service networks and cooperations”.
- Topic of the year 2003 “From Head to Foot – Health as an Economic Factor” as a platform for the health industry and – in this context – the congress cycle called “Health – Future Market” held by the Services Offensive with 9 events of its own.
- Several regional cooperation days.
- 1st Baden-Wuerttemberg Services Day; accompanying event to the strategy study of the Services Offensive of Baden-Wuerttemberg.
- Services forum “Complaints as an Opportunity”.
- Services forum “Service Economy in Baden-Wuerttemberg”; accompanying event to the Services Atlas project.
- Services forum “Export of Services”; accompanying event to the project “Service diversification as a potential for employment and value addition”.
- FIFA World Cup 2006™ Congress - Opportunities for Baden-Wuerttemberg, accompanying the “Service World Champion” award.

Within the framework of the Services Offensive, several funding programmes could be established from resources of the European Social Fund to support the service industry.

- ESF regional programme “Promotion of Innovative Service Cooperations and Networks”.
- ESF regional programme “Coaching the Expansion of Existing Enterprises by Tapping new Technologies and Service Fields”.
- ESF regional programme for the promotion of information events, seminars and consultation days for qualification in important service fields (e.g. service mentality, customer-focus, service engineering, etc.).

The central information platform is the **Internet portal www.dienstleistungsoffensive.de**, which bundles all information about projects, events and funding schemes of the Services Offensive. This is

intended to be further developed on a continuous basis.

Current focuses within the framework of the Services Offensive

In the service sector:

- Supporting the implementation of the **EU Services Directive** for Baden-Wuerttemberg, including but not limited to information about contents and opportunities of the Services Directive, especially for medium-sized service enterprises, organisation of the evaluation process with regard to restricting licensing procedures and the positioning of the ‘single points of contact’.
- Technical assistance to the **programme line “Services Research” of the Landesstiftung** (Land Foundation); the Landesstiftung Baden-Wuerttemberg provides 1.5 million Euros for the establishment of two programme pillars within the framework of services research. As proposed by the Ministry of Economics, one of them is the strengthening of service innovation and transfer of knowledge by education-oriented approaches. The second programme pillar is the utilisation of E-services in the processing industry as well as service engineering in the production sector.
- Planning and organisation of the **Service Provider Award 2008**; the Ministry of Economics will further develop the service provider contest together with the sponsors and the business organisations and make it an even more distinct mark for the service-orientation of the business sector in the federal state.
- Planning of follow-on events for the **“Export Initiative for the Service Industry”**; a focus of future services policy of the Ministry of Economics will be the support for business in the process of internationalisation and export of services. In this regard, the potentials of exporting services related to products and also exporting standalone services are to be utilised more efficiently. This may lead to new business fields, growth and employment, e.g. for architects, planning and engineering companies, IT service providers and consultants, leisure and health service providers. There are also good opportunities in the export of education and training services. The Ministry of Economics will therefore place a higher emphasis on services in its foreign trade promotion activities together with Baden-Wuerttemberg International. A support network to promote the export of services is intended to be established together with the chambers of industry and commerce, the crafts’ organisation ‘Handwerk International’, the associations of the liberal professions and the Land Association of the Industry of Baden-Wuerttemberg. The issue is to identify the potential of businesses having an export capability but not yet exporting and to raise their awareness directly with information offers, e.g. from the chambers of foreign trade.

- The Ministry of Economics will give more attention to services in the further development of its technology, innovation and **cluster policy**. This applies above all to the establishment and extension of industry networks for the dynamically growing company-related and product-related services, for transportation services, logistics and the health industry.
- A joint project with the Chamber of Industry and Commerce of the Stuttgart Region: “**Outsourcing of Business Related Services**”; update of a previously developed guide including a public presentation at an event organised together with the Ministry of Economics in spring 2007.
- **Household-related services**: Further development of the previous model project conducted with the Chamber of Industry and Commerce of the Stuttgart Region “We’ll do it! – Services Around Your Home” with a database of household services and an image and qualification campaign.
- The Ministry of Economics pleads for attaching more importance to the service economy when planning the next funding period of the **European Social Fund (ESF) 2007-2013**. Some examples of this are programmes for promotion and support of
 - innovation and knowledge transfer in the service sector and in major fields of services,
 - innovative service cooperations for strengthening the competitiveness at the Baden-Wuerttemberg location,
 - quality and standardisation of simple services, e.g. household services and
 - internationalisation and export of services.

In the medium-sized business financing / financial services / banking sectors:

- Ongoing coverage of the legislation plans at the federal government and EU levels in the Federal Council of Germany in order to achieve regulations that are favourable for medium-sized enterprises, e.g. regarding the implementation of Basel II and the solvability and large exposure and million credits directives.
- Establishment of a “Technology Venture Capital Fund” to cover the federal state. The operating department is in the process of discussing the establishment of the Baden-Wuerttemberg Innovation Fund with Stami and the BW-Venture-Capital GmbH (LBBW bank).
- Implementing the decision of the Conference of the Ministers of Economic Affairs (WMK): Initiative of the Federal Council for the further development of the UBGG holding company law.
- Event for the mobilisation and motivation of ‘business angels’ in autumn 2006.
- Active participation in the WMK working group “Deregulation in Bank Supervision”. Introduction of further deregulation suggestions into the discussion in cooperation with the credit associations of Baden-Wuerttemberg.

- No obligation for the medium-sized businesses to adopt the international accounting standards IFRS/IAS. Preparation of a draft to this effect for the autumn meeting of the WMK.

Initiation of a **Baden-Wuerttemberg Financial Centre Initiative**. The strong financial location of Baden-Wuerttemberg has been selling itself at less than fair value so far. Initial exploratory talks have taken place at the working level with the credit associations, the University of Hohenheim (Stuttgart) and the Stock Exchange.