The Innovation House in Rødding – a case for SME empowerment in a rural area

Introduction

The Innovation House (Innovationshus Syd) is located in the village Rødding in the southern part of Denmark close to the German border. The house was opened in 2004 as an incubator for small and medium sized enterprises. The house is organised as an independent foundation, and it was initially funded by the EU structural funds, the municipality, the county council, the Ministry of the Interior, and the local business association.

The local community of Rødding is dominated by traditional industries such as manufacturing, construction and agriculture. With the Innovation House, the municipality aimed at an intensified diversification of the economic activities in the town. The house should demonstrate that it was possible to create an attractive environment also for types of enterprises started by people with a further education and in fields of production and services that are so not well-represented in rural areas.

The objective of the house is to stimulate enterprises to grow and create new jobs, and to do so in collaboration with others in the Innovation House and beyond in the community and the region. The target group is enterprise in the house, but enterprises outside are welcome to use the services as well. Enterprises in the house should have a distinct sense of communality and be willing to establish bonds with each other. With a positive atmosphere in the house and with substantial support and inspiration from the staff, the Innovation House wanted to pave the road for high profile job creation activities in a rural area.

Recently, the organisation has been restructured, and UdviklingVejen - the local business and tourism development council is in charge of the house and its activities, supported by the municipality. The house still operates as an incubator for SMEs. The local business service entity and the tourist board have their offices in the house, and this is an opportunity to guarantee that SMEs can get an optimal advisory service, and it ensures coordination in the provision of services with other local and regional bodies in the field.

Facilities in the Innovation House

Flexible office space is for rent for the enterprises, and 24 offices of different size are available. The enterprises have access to meeting facilities, including a big meeting room where it is possible to organise conferences etc. The meeting room is equipped with support for idea-generation and creativity based on the “Six thinking hats”[[1]](#footnote-1). On the wall there are coloured boards, and the users of the room are assisted with other types of electronic tools as well.

The place has a lunch room and possibilities for providing catering services for meetings and conferences. A reception offers telephone and other services. The house is in a building of high quality and it is situated in attractive green environments.

From the beginning in 2004 the manager of the Innovation House was keen to ensure the most optimal conditions for the tenants in the house. He screened the applicants as to make sure that they were committed to the ideas of collaboration with other enterprises in the house and they were seeking to create the most optimal synergy. All enterprises were obliged to make a “growth agreement”, which included targets for the enterprises in terms of development, and expectation of support from the Innovation during the first phases. The director of the Innovation House wanted to kindle the ambitions of the enterprises and to make the potential development of variants of collaboration explicit. Parts of the agreement were regular meetings with enterprises in order to discuss progress, problems and possibilities. All activities in the agreement are specific and measurable.

The enterprises meet each other during the lunch every day, where is a lively chat. At monthly morning meetings everybody will give a small status on the activities. This is also a way to stimulate the synergy and collaboration.

Boosting the services and opportunities for SMEs

The Innovation House is an incubator which, since its start in 2004, has attempted to deliver more than just office space and advisory services for the enterprises. Raising funds for projects is crucial for the staff of the Innovation House. The projects are boosting both the profitable activities of the enterprises, and the projects are widening the scope of the Innovation House as an incubator. The Innovation House has a serious awareness of the opportunities of external funding, and it develops projects on a continuous base. Funds are available for development through rural development programs, national SME and entrepreneur initiatives, and numerous other policy interventions. It is important for the Innovation House to have close cooperation with the municipality, which is a competent and reliable and partner in many categories of projects.

A project manager employed as Innovation House staff is in charge of raising potential projects that can benefit the enterprises and arouse the synergy in the house. As an example, a small enterprise works with equipment for the eldercare sector. The project manager identified a governmental fund dedicated develop labour saving technology for the public sector. A joint application was elaborated, the project was funded. The Innovation House has helped with the project administration and the establishment of contacts to municipalities. The collaboration on the project has been successful in the sense that the SME has grown and created a better market position for itself.

The Innovation House has together with other partners developed the equipment in the meeting room within a comprehensive creativity platform. The room, which lends its concept from the Volvo Boating Race, contains electronic creativity tools touch boards and AV devices with big screens and surround sound systems, so the ideas can be shared in large format. Commercial consultants in the Innovation House used to be facilitators of the creative processes. They sell their services to a number of public and private organizations and hereby they create a flow of customers into the house.

Efficient sales activities are essential for many small enterprises, and it is a work task which is often not given an appropriate attention. The Innovation House has an intensive focus on offering SMEs and entrepreneurs a sales training. A small handbook is available, and the marketing and sales are continuous issues in the communication between Innovation House advisory staff and SMEs. In addition, a project included the e-trade opportunities for the enterprises in the house. Each enterprise had its home page analysed and potentials for e-trade were outlined and developed.

The Innovation House is partner in the VAILLL-project, an Interreg supported collaboration with actors in Denmark and Germany. The project is about developing an e-learning facility for entrepreneurs. Overall, the rural challenge is to be addressed by a more creative use of ICT, and the Innovation House is ready to work with this.

The users

The idea with the Innovation House is to provide a protected and supported office space for entrepreneurs in their first, vulnerable period. After some time they might grow out of the house and prefer to move to other premises.

Over time, the Innovation House has accommodated for the following types of enterprises:

* Business consultants
* Technology developers
* Travel agencies and event managers
* Wholesales enterprises
* Suppliers to energy systems
* IT services
* Accountants
* Law firms.

All enterprises were small and most of them newly established.

Up until recently, the demand for office space has been reasonable, and the house has been more or less fully booked. However, the financial crisis has changed the demand situation for the Innovation House. In particular, a number of consultants have downsized and some of them have moved out of the house, or closed entirely. It is a double loss, as the consultants had something to offer to other tenants. Other enterprises have also chosen alternative locations, often at home.

As a consequence during the past 1 or 2 years, the Innovation House has had to be less selective in terms of tenants, and it has been necessary to promote and market the premises more offensively and to make sure that the prices are at a market level.

As a result of the tense situation in the property market, the Innovation House has also become more aware of the competition with other providers of the same type of facility. As the house is operating with public funds, the advisory services should be available for all enterprises in the municipality, and the Innovation House cannot offer the tenants extraordinary conditions. Focus on collaboration in the house is to some extent shifted towards trying to find synergies with the house and the surrounding community.

The future of the Innovation House

Generally, the tenants are very satisfied with the house and its services, even if the ambitions have been somewhat leveled down compared to the early years. The house is now more than before resembling a normal semi-public advisory service unit – with some incubator functions. The management finds that the future is secured, but the house will still have to find funds for projects for extraordinary activities. Rødding is a small village, and might be necessary to seek a closer alliance with other providers in the larger municipality Vejen.

There is a strong recognition that human resources are extremely essential for the industry in the local area, and the Innovation House want to ensure a continuous attention to employment and start-ups of people with higher education. Future projects will probably get a more distinct focus on how to recruit the better educated to rural areas and to make them happy to settle. Many of the local enterprises can need a boost of competences, and the Innovation House will develop appropriate measures in close cooperation with labour market authorities and partners, universities and the business community.

Learning and transfer potentials

What makes the Innovation House special? What can others learn from it in particular? Throughout the history of the Innovation House, the following features are the most unique:

* The screening and commitment of the enterprises that shall ensure that they not only benefit from the services in the house, but also to contribute to the synergy with other enterprises and stakeholders. Nursing of the enterprises and related networking is of crucial importance.
* The project organization which in close cooperation with internal and external boost the activities of the Innovation House in a way that attempts to benefit both the enterprises and the House. The project organization is increasingly acquiring an international profile, and Vital Rural Areas has been a platform for this development.
* The close and constructive relationship with the municipality which leads to a coordination and inspiration across sectoral boundaries.
* A flexibility in terms of the discovery of new possibilities, presently for example in the field of energy provision and eco-management developments. Green innovation is a priority in the regional development programs.

Sources for the case

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Interviews with Else Mejer, Tanja Staniok and Simon Simonsen

Website: [www.udviklingvejen.dk](http://www.udviklingvejen.dk) (in Danish)

Media sources and enterprises’ websites

Virksomhedsstrategi for Innovationshus Syd

Various pamphets and other materials

1. Bono, Edward De (1987): Six Thinking Hats, Penguin Books. [↑](#footnote-ref-1)