Regional Action Plan

Lithuanian Innovation Centre

Vilnius, 2019

Part I – General information

Project: SUPER

Partner organisation: LIC (Lithuanian Innovation Centre)

Other partner organisations involved (if relevant):
Country: Lithuania

NUTS2 region: Lithuania
Contact person: Mantas Vilys

email address: m.vilys@lic.lt
phone number: +370852356116

Part II – Policy context

The Action Plan aims to impact:

X   Investment for Growth and Jobs programme
☐   European Territorial Cooperation programme
X   Other regional development policy instrument

ACTION 1
Facilitating the creation of Serious games cluster and promoting cross-sectoral activities

1.   The background

In Lithuania we haven't got any particular financial instrument which would be dedicated for companies from game industry. Nevertheless, those companies have an opportunity to use R&D financial instruments that are available for companies working in different sectors or in areas of Smart Specialization. These financial instruments provide support for various activities: development of a new product or an innovative solution, internationalization (travels, marketing, partners search), mentoring, coaching or education. The public funding is very important for game studios because it is one of the main source which can drive their growth and provide money for new product development. Moreover, it is quite complicated for game studios or independent developers to attract investment. There is a lack of banking financial instruments for development of new products and technologies, especially related with new games, because usually these projects have rather low profitability rates – this industry is driven by hits, therefore there is just a slight chance for one project to be successful. For the same reason, companies lack of attention from venture capital funds which do not see game development industry as their priority area. As a result, various EU funds and local financial instruments and projects are the main option for business companies which are willing to grow and develop new products.

However, game studios don't rush to use those instruments, because they are not sure if they meet all relevant requirements and cannot warrant that they would accomplish the goals that are stated in the applications. During roundtable discussions with game studios it was mentioned that R&D financial instruments do not meet companies needs and have excessive requirements. Those instruments are dedicated for bigger companies that have administrative and financial resources to apply for those instruments, also the financial support is provided only for those products that have evident commercialization potential. Non-of these requirements are met by game development industry companies, because most of them are very small enterprises (less than 5 people and revenue is below 50 000 EUR which is quite common requirement in public support instruments), also this industry is hit-driven, therefore there is no clear evidence that new game will be successful. Despite these drawbacks EU structural funds remain the main type of financial source for SMEs, therefore game studios must find a way how to use it or invent a side revenue stream in order to increase their revenue and profitability (build its muscles).

The main goal for Lithuanian innovation Centre and other stakeholders was to find a way to build our game development sector, the main question was: how we could increase their revenue streams? During the discussions most of the respondents (game developers, members of association, representatives from ministry) related to game industry have expressed doubts about the possibility of creating, in the mid-term, from scratch, a game sector in Lithuania similar to those in Finland or Sweden, but most have identified huge potential in the field of Serious Games. This area requires less capital investment and a relatively lower level of technical skill; companies with these profiles can be found fairly easily within our country. Many have pointed out the potential of cross-sector relationships, for example with logistics, tourism, the medical and educational sectors. The round-table discussion has indicated that a lot of gamedev studios are creating solutions that could be interested for those sectors. GameDev members find that the games industry is not connected to other sectors where games could provide innovative solutions to societal problems. The local institutions and other important actors should encourage multidisciplinary clusters and sectorial networks related to the video games sector. Strengthen the synergies among the games industry and other branches, promoting games as key technologies for other industries. The important role technologies developed within the games

industry can play in other sectors, must be underlined.

This initiative on the one hand uses games and digital technologies to support the innovation and growth of other businesses; on the other hand, it gives opportunities to other sectors to access the games knowledge. Even though it is not focused on the video game sector this initiative utilises knowledge from the videogame sector and video games technology to address and support all sectors. This project is particularly useful for businesses/companies because it helps them understand how technology empowers products and how many applications gaming technology can have. On this sense, the project is more oriented to the market than that to pure research and is directly supporting cross sector activity and more traditional sectors who would not have especially understood how new technologies could support and enhance their day to day activity. And most importantly these initiatives would provide an opportunity to apply for a R&D funds and receive revenue from traditional industry companies.

Furthermore, during the discussions with game companies and game developers association, it was pointed out that in order to develop technologies and solutions for traditional industry and other sectors they need to mobilize their resources. Lithuanian developers currently lacks a cluster that would be focused on new technologies or serious games development. Game studios might have few options: to create a new cluster which would be consisted only of gameDev studios or they can engage into other related clusters (ICT, video, multimedia, web, etc) which also develops similar technologies.

The cluster gives the opportunity to its members to access global and national support programmes and incentives for video games and creative industry. It also supports the human resources mobilisation among the enterprises, or among the research system and the enterprises including the attraction of highly qualified human resources. Promotes the access of cluster member SMEs to EU funds in the fields of R&D and innovation. Promotes cluster member SMEs internationalization through joint promotion and marketing activities. This would facilitate and speed access to market. This initiative highlights the specific skills of the different types of entities involved, creates economies of scale and acts as a facilitator for the companies involved. Even if the new cluster of game sector is not created, the ICT INNOVATION CLUSTER is relevant for the game sector, because it can contribute to creating for the game industry the same conditions provided to ICT industries. The main objective is to create a network between different institutions/enterprises and sharing knowledge and funding opportunity. Game studios have engaged into old clusters related to ICT or create new one. Cluster would help to identify their common technological strengths and build added value products that could be interesting for local industries.

Last but not least, most of the people also underlined the need to strengthen these intersectoral relationships as the development of products in the Serious Gaming sector requires a close and intense collaboration between different sectors. There is a high need of networking events for game studios and other sectors to get more knowledge about the demand for new technologies including mobile and tablet technology, virtual and augmented reality, web-based user interfaces, gamification, 3D design and printing in traditional industry sectors. Nonetheless, game studios should evaluate their capabilities to create particular innovative solutions. This particular action would help to promote technology transfer and R&D support, foster co-operative research projects between R&D stakeholders, cross-sector networking and networking within the game ecosystem. Besides that, Lithuanian Innovation Centre could be as a facilitator to raise awareness about R&D activities and funds. LIC would offer a relevant opportunity for SMEs and start-ups to receive fully funded and structured R&D support by providing awareness sessions on the benefits of R&D activity. With such an activity LIC would seek few goals:

• Stimulate them become more creative, productive and competitive;

• Support business with the creation of digital ideas that both suit SMEs needs and add value;

• Develop ideas and solutions that will make business smarter, more efficient and more competitive with the help of ICT;

• Evaluate the product usability, focusing on measuring a product's capacity to meet its intended purpose;

• Help to find new clients in the industry by running technology-focused events to develop SMEs understanding of different technologies;

• Raise awareness about R&D financial instruments.

2. Action

- To organize a workshop with game studios in order to identify their technological strengths that could be transferred into traditional industry.
- To facilitate the establishment of new serious game cluster or engage game development studios into old cluster related to ICT solutions.
- To organize networking events for game studios and other sectors in order to facilitate and strengthen intersectoral relationship and promote cross-sectoral collaboration on innovative products development.
- To organize informative events about international and local R&D financial and non-financial instruments.

3. Players involved

- LIC (Lithuanian Innovation Centre) - responsible for communication with industry actors and disseminating information about the solutions and technologies created by game developers. Also, responsible for organizing networking events.
- Lithuanian Game Developers Association – responsible for collecting the data from game development studios about their technologies and solutions that they can offer for other industries.
- Companies from traditional industry sectors – they should provide their organizational and technological problems that might be solved by creative solutions.

4. Timeframe

Until September the information from industry companies and game development studios will be collected. Until the end of 2019 at least one networking event will be organized

ACTION 3
Lithuanian Game development industry Annual report

1. The background

During the transnational learning-process we have noticed that other countries are creating their annual reports about game development industry. The report could deliver a lot of benefit for the national industry in terms of branding, benchmarking and self-evaluation.

Each year LIC in collaboration with LDGA will publish an annual report on the state of the gaming industry in Lithuania, to take stock of the size of its video game market. The Lithuanian game development industry report is the annual document which will be available for the public. The report will underline the current status of Lithuanian industry, it will take into account the data about company revenues, number of employees, games created etc. This report will highlight the excellence of Lithuanian gamedev industry and will give visibility to the video

games industry at a national and international level. The greatest success stories of Lithuanian companies will be highlighted in this report, also we will give a small brief about our biggest game festival – GameOn.

This report will be published in a small print and will be distributed only during the main events related to innovations, technologies and game development. The main aim of this report will be to raise awareness of our local community: policy makers, investors, industry actors about our local game development sector and how it could contribute to Lithuania's economy and other economy sectors. Also, the report will be translated into English language and disseminated among foreign investors or companies that would be interested in making investment in one of Lithuanian game studios or into the whole game development ecosystem. In addition to this, the digital version of Lithuanian game development industry report will be available for free on the LIC website.

2. Action

The action which aims to release a new annual game development report has the following main activities:

1. In collaboration with Lithuanian game developers' association collect information from various sources (credit info, contacting game studios, checking information on the internet) about all game development studios, publishers, investors etc. in Lithuania.
2. To analyse data that was gathered and prepare a report with main insights about Lithuanian game developers association.
3. Invite Lithuanian game development studios to share their good practices and provide information about their best projects that could be added to the report.
4. The appropriate layout design will be created and applied for the final version of report. The report will be printed in about 300 copies.
5. The sustainability plan will be prepared how to finance and continue to release the report in the following years.

3. Players involved

- LIC (Lithuanian Innovation Centre) - responsible for analysing the data, preparing and releasing the report. Also responsible for a discussion about continuity of the report.
- Lithuanian Game Developers Association – contribute in collecting all the relevant information from game development studios.
- Ministry of Economy and Innovations – might give a financial support to release this kind of report in the future.
- Ministry of Culture - might give a financial support to release this kind of report in the future.

4. Timeframe

The process of data collection has already started, the analysis will start on June of 2019, the final version of the report might be prepared until the end of September, 2019.

5. Costs

700 EUR **–** cost of data about all companies
1500 EUR – cost of layout design and printing

ACTION 3

Include game development / design as a new thematic priority and the potential application area in Lithuanian RIS3.

6. The background

In Lithuania, public support instruments that provides financial and non-financial support for SMEs and innovative companies are not fully exploited by game development studios. Usually, owners of the game development studios identify specific criteria that couldn't be reached by their companies. This obstacle hinders game development studios from using those support instruments is that companies or products which they are creating do not match the criteria requested by specific innovation support instruments.   are dealing with technological issues without cooperation relying on their own resources. The problem is that they are not clearly aware of this method of cooperation. However, after brief discussions with all quadruple-helix actors they come up with an idea, that cooperation with other actors could be beneficial for them. First of all, they could achieve the best possible result in R&I activities. Secondly, they can obtain financial support for the cooperation activities.

The best way to foster quadruple-helix approach is via the support of financial instruments which provides grants for the innovation projects that are related to Lithuanian Smart Specialization Strategy. Although, Smart Specialization Strategy is not directly an instrument itself, but it sets the criteria for the evaluation of the projects under this instrument (i.e. each project shall correspond to smart specialization strategy, and during evaluation, evaluators need to check compliance with smart specialization thematic criteria). Due to this reason, Smart Specialization strategy is considered as an integral part of the policy instrument. Therefore, the main challenge is finding the way how to accommodate game development, technologies created by game developers and innovative projects into Lithuanian Smart Specialization strategy.

In order to make a thematic impact for the financial support instruments it is not enough to introduce a gamification as project evaluation criteria, but it is crucial to indicate game development thematic area in the Smart Specialization strategy. The improved Lithuanian Smart Specialization strategy could enable game development studios to use public financial instruments and encourage a cooperation with research institutions that could result in more innovative and successful projects.

Lithuanian innovation centre plans to transfer above mentioned plan and to use the opportunity arising from an ongoing revision of the Smart Specialization Strategy to include game development as new thematic criteria and the potential application area. Lithuanian innovation centre has already had several stakeholders' meetings, where the significant potential of game development industry was considered as an argument to put game development into RIS3.

7.   Action

The action which aims to improve national RIS3 strategy by adding game development as a new thematic area has the following main activities:

1. Lithuanian Innovation Centre will prepare a concrete policy brief that indicates the high potential of game development industry and explains how public financial and non-financial support could help to boost this industry.
2. The new list of activities and technologies should be created in order to define those activities that might be supported.
3. The main institutions that is responsible for the implementation and monitoring of RIS3 are Ministry of Economy and Innovation and Research and higher education monitoring and analysis centre (MOSTA). All changes that would be implemented in the RIS3 should be approved by the Ministry of Economy and Innovation. Every year, the Ministry initiates the

review process of national smart specialization strategy, it opens a possibility for other agencies or institutions to offer certain changes that could improve policy instrument. Therefore, meeting with MOSTA and the Ministry will be arrange where we will present our policy brief.

4. Few thematic seminars and lots of private counseling sessions will be organized by LIC where the SMEs will get educational information about new priority area and what kind of financial instruments will be available for game development studios.

8. Players involved

- LIC (Lithuanian Innovation Centre) - responsible for preparing an action plan and initiates proposals for Ministry of Economy related to changes in RIS3 support instrument, defining positions of business entities.
- Lithuanian Game Developers Association – prepare a consolidated position of current situation of Lithuanian game industry and indicate future prospects.
- Ministry of Economy and Innovations – initiates RIS3 review process, organizes round-table discussions with relevant stakeholders and confirms legislative amendments.
- MOSTA – prepares a research about each priority area and evaluates new priority areas that could be added to the updated RIS 3 strategy.

9. Timeframe

The review process of RIS3 starts from Q3 2019 and changes should be confirmed until Q1 2020.