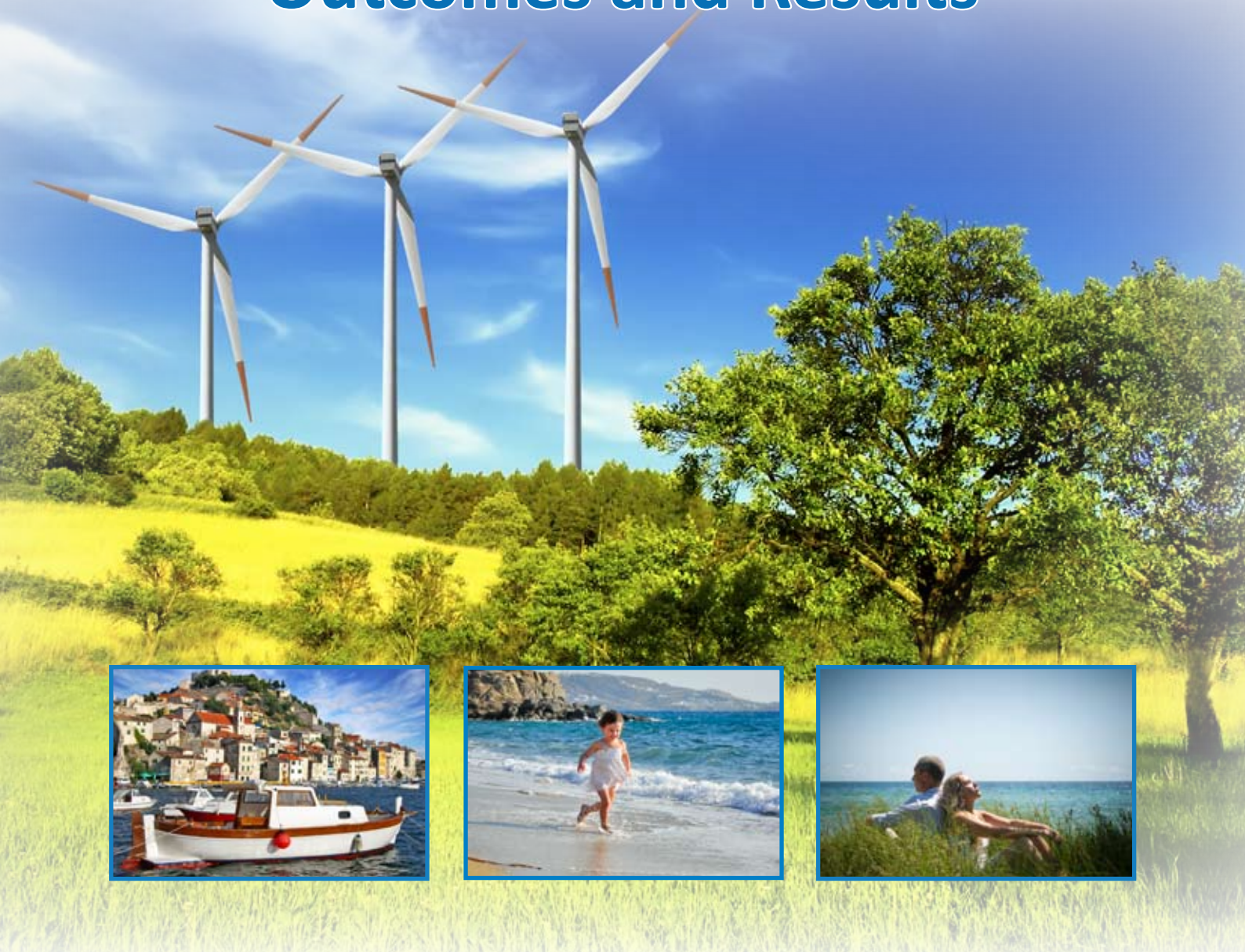




**Small Mediterranean Islands'  
Light Industry Enhancement and Support**

# **The SMILIES Project: Outcomes and Results**





## SMILIES Partners

- RETHYMNO Chamber of Commerce and Industry – GR (Lead Partner)
- SICILY REGION -Department of Tourism Sports and Spectacles -IT
- CLOTEFI - Materials Industrial Research and Technology Center SA (CLOTEFI Athens Division of MIRTEC SA) - GR
- ANETEL- Development Agency of LARNACA -CY
- GNOSI AMKE - GR
- UNIVERSITY of the AEGEAN - Department of Product & Systems Design Engineering - GR
- MEI- Institut de la Méditerranée – FR
- ARCA - IT
- ELKEDE - GR
- SEPEE – Greek Fashion Industry -GR
- REGION OF CRETE – Regional Energy Agency of Crete –GR

## The SMILIES Project: Outcomes and Results



**DISCLAIMER:**

**SMILIES** was co-financed by the European Regional Development Fund within the MED Programme.

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**CREDITS:**

*This publication is the result of a collaborative effort jointly carried out by the SMILIES Project Staff*  
*The publication was coordinated by Athanase Contargyris – SMILIES Project Technical Coordinator – with the support of the SMILIES Project Experts (Jesse Marsh) and the contribution of ARCA, ANETEL, MEI, RETHYMNO CHAMBER OF COMMERCE AND INDUSTRY, REAC and the UNIVERSITY OF THE AEGEAN.*

**INDEX**

|                                                                            |    |
|----------------------------------------------------------------------------|----|
| Contacts .....                                                             | 7  |
| Foreword .....                                                             | 9  |
| Introducing the SMILIES Project .....                                      | 9  |
| The insular context and Mediterranean specificities .....                  | 10 |
| The SMILIES insular territories .....                                      | 10 |
| The SMILIES process .....                                                  | 11 |
| The SMILIES Pilot Projects .....                                           | 12 |
| Pilot support tools, coaching, and evaluation .....                        | 13 |
| The Best SMILIES Pilot: the PENTECONTER (Cyprus) .....                     | 14 |
| Pilots impacting on local development .....                                | 15 |
| In Aegean: TASTE AND CULTURE -NAXOS .....                                  | 15 |
| For Sicily: INFORMAMUSE .....                                              | 15 |
| Business Value Pilots .....                                                | 16 |
| In Sicily: PIVICCI .....                                                   | 16 |
| In Crete: HOLIDAYS IN STYLE .....                                          | 16 |
| Pilots for Social and environmental sustainability .....                   | 17 |
| AEGEAN: TALASLI .....                                                      | 17 |
| For Sicily: O2 .....                                                       | 17 |
| Synthesis of lessons learned from pilot projects support experiences ..... | 18 |
| Highlighting the need for institutional innovation .....                   | 19 |
| Sustainability of the project and political commitments .....              | 20 |
| Conclusion .....                                                           | 21 |
| The SMILIES partners .....                                                 | 22 |
| THE SMILIES TEAM AT WORK .....                                             | 23 |

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## THE 6 LOCAL ACTIVITIES & RESOURCES OF MED ISLANDS EXPLOITED IN SMILIES

(Building – Retail – Tourism – R&D Capacities – Agriculture –  
Natural & Cultural Resources)



## Foreword

To improve the competitiveness of insular enterprises becomes, due to the economic crisis faced in Mediterranean countries, a highest priority. This improvement can come out the reinforcement of internationalisation and innovation, the upgrade of production processes and the incorporation of technical knowledge and the ecological sensitivity.

The Chamber of Commerce and Industry of RETHYMNO, as well as all the partners who collaborated for the implementation of SMILIES project, believe that the conclusions of the project will offer a substantial help to all those try to improve the entrepreneurship of insular regions of the Mediterranean area.

As President of the Chamber of Commerce and Industry of RETHYMNO, lead partner of the project, let me believe that we have added a piece, with the contribution of SMILIES project, to the development of the competitiveness of the enterprises established in the Mediterranean Islands.

***George Giakoumakis, President of the Chamber of Commerce and Industry of RETHYMNO***



## Introducing the SMILIES Project

The objective of the SMILIES project was to explore the barriers and opportunities for economic development of the Mediterranean islands. It first identified local potentials and development scenarios and then intervened to network the key stakeholders, building on a set of nearly 100 pilot projects in four insular regions across three MED nations. The insights gained from this experience have been translated into recommendations that will help define sustainable policies and infrastructures able to support industrial innovation and economic development in the MED insular territories.

The main economic activities in the Mediterranean islands are Tourism and Agriculture, together with activities linked to them like Agro-food, Building and Construction, and Retail. These activities, by their nature or their dependencies, have a high seasonality. Other sectors, in particular manufacturing and handicrafts, are in decline. As a consequence, the global seasonality of the islands' economies tends to increase.

A strategy to compensate this trend consists in economic diversification through new environment-friendly and knowledge-based industrial activities that exploit technological innovation while systemically linking with existing activities. The evolution towards knowledge-based activities also offers the possibility to improve the quality of job profiles and help islands to keep their educated young, who either remain unemployed or under-employed or are forced to emigrate.

Due to their location at the periphery of the EU, small insular industries are often handicapped in their operations and prospects for development. The costs to access expertise, markets, and key clients and providers often located in central European regions, is higher than those of their competitors. On the other hand, a potential competitive advantage could be gained by taking advantage of local talent, the attractive culture and climate, and innovations such as electronic commerce.

To address the obstacles and capture the opportunities for MED insular territories, SMILIES acted to coordinate local actions bringing together all actors involved and improve the links with remote but strategic stakeholders. These activities were carried out by a partnership consisting of a wide range of those actors who can contribute to promote innovation to the benefit of existing SMEs or new entrepreneurs and investors.

The regions covered (Crete, Aegean Sea, Cyprus and Sicily) include islands with contrasted typologies both in terms of size but also in institutional terms (Islands-State, Islands-Region, Groups of Islands composing a Region). Upon conclusion of the project, recommendations for future policies and actions have been defined and the project partners have drawn up a common agreement for the sustainability of the SMILIES network.

The insular context and Mediterranean specificities

As Mediterranean islands have traditionally been characterized by a weak manufacturing sector, the SMILIES project aimed to promote development by improving the competitiveness and innovation capacity of their light manufacturing industries in key fields of activity.

Island economies often lack the critical mass of economic activity for the sector based strategies of traditional development policy. In this approach, efforts to reinforce a given economic sector intervene along the so-called value chain, from raw materials and/or new product ideas to the final consumer, and within the supply chain of the generally smaller enterprises that feed into large industrial production systems. In Islands, the discontinuity of the sea interrupts smooth supply chains, which are never able to reach the intended effects in order to spill over into surrounding territories.

SMILIES shifts the focus of attention to the dense and complex systems that characterize insular (as well as other remote) economies, with their wide variety of micro-activities. It emphasizes multi-directional network linkages, characterized by both monetized and non-monetized transactions, rather than linear value chains. Through a bottom-up approach, individual entrepreneurs, projects and initiatives were offered advice, support and network opportunities to exploit new opportunities for development and overcome insular obstacles – scarcity of resources, higher costs, etc. – through innovation.

The SMILIES insular territories

While the SMILIES project brings together partners also coming from mainland regions (PACA in France), ATTIKI and CENTRAL MACEDONIA in Greece) its focus is to serve the development of insular regions, which are quite diverse, comprising:

Island regions represented in SMILIES by the biggest Mediterranean island, SICILY (20.000 km², 5.1 Million inhabitants)...



Archipelago regions represented in SMILES by the South Aegean region (5.286 km², 0,5 Million inhabitants), which consists of a total of 79 islands and numerous islets (178)

...and the biggest Greek island, CRETE (8.335 km², 0.6 Million inhabitants)

Before the recent crisis, in 2008, Cyprus and the South Aegean region had a GDP close to the EU average, while Crete’s GDP was 10% lower and Sicily’s 30%.

In all these regions, manufacturing rarely represents more than 10% of GDP and employment, and in Crete even less (5%). Indeed, the majority of employment is in services (especially Tourism and Commerce), often (as in the South Aegean region) in the form of highly seasonal employment, while transportation and shipping are also major economic activities in some of the regions, such as the Aegean.

In all these regions there is significant interest in internationalization and networking and in the adoption of “green” or “cleaner” production methods. The SMILIES project and pilots built on this interest.

The SMILIES process

The first phase of the SMILIES project consisted in identifying, for each type of island, innovative industrial activities that:

- enhance or take advantage of existing economic activities (Tourism, Agriculture, Retail, and Building and Construction), and/or
- preserve or better valorise natural and cultural resources, as well as local R&D and innovation potentials.

For this, a review of best practice which could be adapted or adopted for MED islands was conducted, identifying innovative projects and initiatives that lead to the creation of new green industrial activities or the enhancement of existing ones. A total of 67 good practices were documented and used to elaborate scenarios for the development of industrial activities in the four island regions.

Six main scenarios were selected, each one placing the emphasis on the use of a different local basis of activities or resources:

|                                  | TO ADD: REPRESENTATIVE PICTURES (OR ICONS) |                    |                             |
|----------------------------------|--------------------------------------------|--------------------|-----------------------------|
| • Tourism                        | Hotel                                      | Shop/Mall          | Building under construction |
| • Retail trade                   |                                            |                    |                             |
| • Building and Construction      |                                            |                    |                             |
| • Agriculture and Fishing        | Olive harvesting                           | Cultural           | R&D Lab or                  |
| • Natural and Cultural Resources |                                            | Resource/tradition | University                  |
| • R&D and innovation potential   |                                            |                    |                             |

To document the existing potential for each scenario in each of the island regions involved in the project, regional studies with one chapter for each scenario were drawn up for Sicily, Cyprus, Crete and the islands of the Aegean. Finally, for each of the main scenarios, impact studies that developed hypotheses related to the systemic potential of a sample of possible projects were carried out. From this, a typology of priority areas for each island region was defined.

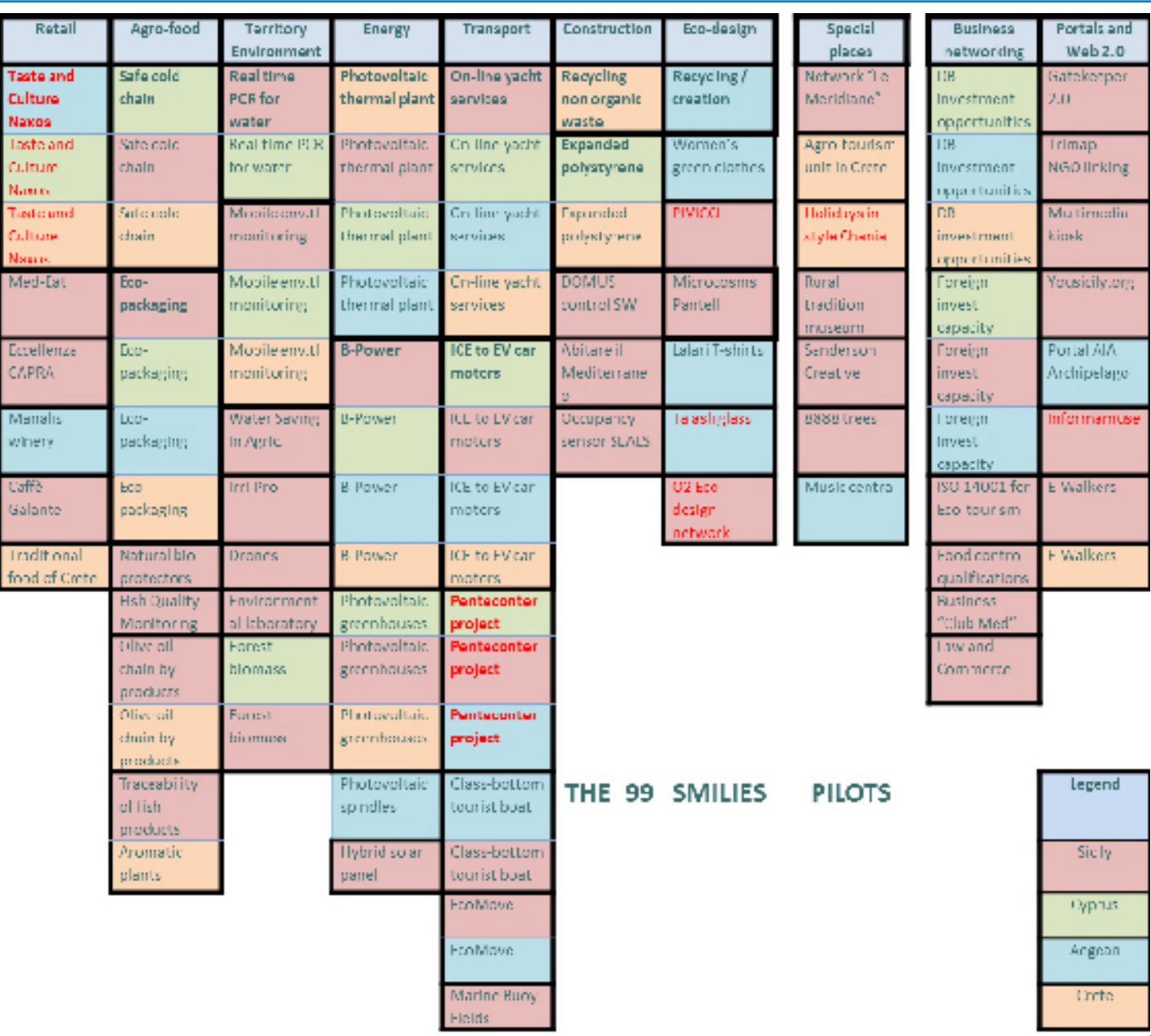
In the second phase of the project, a call for Expressions of Interest was launched, open to inventors, entrepreneurs, experts and consultants wishing to propose initiatives and projects to favor, directly or indirectly, the development of industrial activities in line with the priorities and scenarios defined. The entire set of documents produced in the first phase, from the sector studies to the scenarios, constituted the baseline documentation. Launched in June 2010, the call received 131 proposals for pilot projects of which 99 were selected through an evaluation processes that culminated in a project meeting in Syros, July 2010.

In the period from September 2010 to January 2012, SMILIES project partners and external experts appointed for specific areas accompanied the promoters of the selected projects in the development and implementation of their proposal in one or more of the four island regions. SMILIES offered coaching in the form of networking support, facilitation in administrative procedures, consulting and expertise provision, all supported by an internet-based service platform.

At the end of the pilot phase, awards were attributed to the best projects, following a complex evaluation process that involved the experts and project partners as well as the pilot projects themselves.

The SMILIES Pilot Projects

The selected pilots were divided into 74 «core» pilots, aiming to directly or indirectly create or develop industrial activities, and 25 «service» pilots, offering services and networking activities to the first group. The «core» projects were grouped according to 7 thematic clusters that emerged during the selection process. For each of these thematic clusters one or two «flagship» projects, offering the most ambitious potential, were identified. The «services» projects were grouped according to 3 thematic clusters. The figure below shows the grouping and geographical distribution of all pilots, with the flagships in boldface and the awarded projects in red:



The promoter of each selected pilot was one person from a SMILIES partner as their **SMILIES Contact Point**. This person was responsible for coaching them during the pilot period to progress in the definition of their project by splitting it into manageable implementation steps, mobilizing the expertise required to meet the objectives of each step, networking with the required experts and monitoring the support requested and provided for by the partners in charge of local implementation (**SMILIES Regional Contacts**) or of the relevant thematic cluster (**SMILIES Thematic Contacts**).

The scope and nature of SMILIES support was negotiated with the promoters starting in September 2010. This aimed to meet expressed pilot needs while aiming, whenever applicable, to enhance local synergies and cooperation and find the local and remote expertise, markets, providers and clients required to develop the project.

Pilot support tools, coaching, and evaluation

Two main tools were developed to support the SMILIES process:

- The project web site itself ([www.smilies-project.eu](http://www.smilies-project.eu)) includes an intranet that allows pilots, partners, experts involved in pilot support, and evaluators to trace, share and coordinate the support provided, outstanding needs and offers of support, implementation progress made in business development, and local impact.
- A collaborative space ([smilies.ning.com](http://smilies.ning.com)) was structured for consultancy provision, thematic networking, and collective promotion as well as for the organization of services for areas of expertise where common needs were identified (marketing, ICT, finance & business support, etc.).

In addition, individual coaching played a key role in the progress made by pilots, as innovative entrepreneurs have different (and often confidential) needs for various kinds of expertise. A single point of contact and trust (the One-Stop-Shop principle), able, within a support network like in SMILIES, to understand a promoter's needs and identify those who can satisfy them is precious.

Coaching also allowed to scale innovation needs to the maturity of the product and business concepts. Coaches in fact needed to mobilize the resources (funds, people and expertise) required for the specific level of maturity reached, in order to drive a pilot to the next level: from idea to fully developed concept and implementation plan, from concept to design, from design to prototype, from prototype to market testing, from testing to launch, promotion, manufacture, and sales.

In order to maximize policy learning from the SMILIES process, evaluation tools were integrated since the first steps up to the evaluation of the impact of implementation, after having applied them in a systematic way throughout the project. SMILIES considers, in view of insights gained, that the evaluation process of a policy is the best way to really understand the innovation obstacles and the progress made, giving the possibility to easily reorient a policy towards more effective objectives and methods.

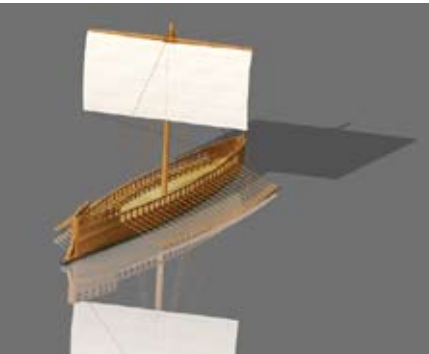
Indeed, different sets of indicators have been adopted at each stage of the project:

- Before selecting the pilots: indicators derived from the impact scenarios were defined and used to select pilot projects coherent with SMILIES objectives.
- During pilot support: the SMILIES project generated a wealth of evaluation and analysis of the experience of individualized pilot project support. These documents identify the weaknesses, successes and strengths of the process, providing valuable inputs to orient and shape regional innovation policy. Indicators to measure the level and quality of support, "client" satisfaction, and intermediary progress made by pilots using this support, have been used to make a formative evaluation and to monitor the final phase of pilot support.
- At the end of the pilot period: new indicators have been defined and used to select the best pilots; specific weight has been given to the reliability of the ratings obtained by each of them, to favour those having more people involved through active networking. By appropriately weighting the variables, a final classification of the pilot projects according to 4 objectives (best use of SMILIES, business value, local impact, environmental and social sustainability) was drawn up to guide the awarding of the SMILIES prizes.

*Taking into account the fact that some partners are committed to the further development of this approach, future conclusions about the impact of the experimentation in a long-term perspective will provide valuable findings for policy-makers. They will thus be able to better understand entrepreneurs' needs and expectations, but also better evaluate which kinds of initiatives to support for local impact and the contribution to specific policy objectives (employment, economy, environment, etc).*

The Best SMILIES Pilot: the PENTECOUNTER (Cyprus)

Criteria: Dedication/progress made/trans-nationality/SMILIES spirit/....



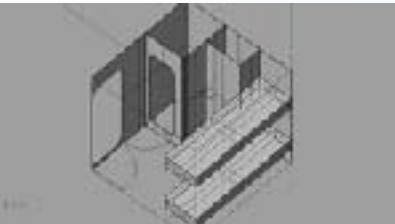
**Pilot summary:** Build a boat inspired by an ancient model (PENTENCONTER) in its shape and some of its characteristics, using innovative technologies in terms of motion, energy production, materials, virtual design and real mock-up prototyping. The boat will be conceived to be adaptable to several uses (cultural and other thematic cruises, technology exhibitions and cultural events, sporting activities). It will serve as a model for a new type of yacht that could be built in MED islands.

Key players:

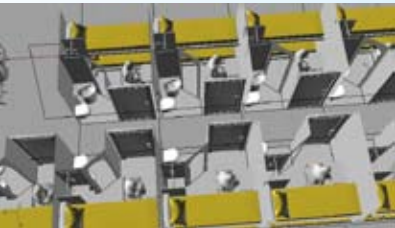
- The promoter (Alexis DARAS - PENTECOUNTER),
- The SMILIES contact (ANETEL – CY- through CEDECS –FR),
- The University of the Aegean (UoA-GR) and ARCA Incubator (IT)
- Francesco Belvisi, YAM (Start-up incubated by ARCA), associated to the project

Use of SMILIES platforms:

- Database and follow-up: numerous entries reporting contacts with the promoter



Designs of the interiors of PENTENCONTER



Dynamics/exchanges with other pilots:

- Cooperation with ICE for the electronic system and an electric engine to move it.

Lessons Learned:

- The project illustrates how from a business idea (limited to a concept) with some good exploitation ideas, consultancy, networking and team building can help a project step-by-step become tangible, realistic and attractive.
- Business concepts based on culture and history can have a strong communicative power.
- The complexity of a concept is not always an obstacle to its realisation.
- Networking can be especially important when resources are lacking.
- Team building is key to success.
- The multi-regional approach brings significant added value for sourcing resources, consolidating the concept, and creating attractiveness and confidence in a business idea.

Alexis DARAS



**Pilot outcomes:** Assistance to structure the proposal into realistic steps and progress made for each of them:

- Research on similar boats’ construction and historical sources (outcome: done)
- Virtual mock-up construction (outcome: done by UoA)
- Selection of technologies and materials to adopt (outcome: done with a Sicilian engineer found through ARCA and pilot ICE for electric motion)
- Facilities selection (outcome: done with Francesco Belvisi found through ARCA)
- Industrial Modeling and design of a prototype (outcome: on-going)
- Set up of an Internet site and a Social Network (outcome: planned; asked, domain names pentecounter.com reserved)
- Promotion to sponsors to fund actual construction (outcome: some contacts made with Telecom sponsors)
- Construction (outcome: mould maker identified; shipyards identified in Sicily; others in Syros and Cyprus could possibly join)
- Exploitation plans (outcome: drafted)

Contacts outside SMILIES:

- A Greek reduced boats builder, a Cypriot and a Tunisian engineer (by CEDECS)
- Museum of Aghia Napa (to get info on the Kyrenia boat – by ANETEL)
- Texas A&M University (by UoA for basic lines development)
- Telecom Company (for sponsorship) and electric engine providers (by ICE)
- Photovoltaic sail producers, mould builders and shipyards (by YAM)

Pilots with an impact on local development

Criteria: Economic, social and political consequences of the implementation of the pilot project, contribution to regional development, contribution to sectorial development, contribution to increase employment, potential for trans-local implementation.

In the Aegean: TASTE AND CULTURE -NAXOS



**Pilot summary:** This pilot project deals with the development of local gastronomy based on recipes collected in the island of Naxos. The association “Naxos – Filoxenia” asked the University of the Aegean to support them in defining the actions required to transform their idea into tangible results. They requested assistance in establishing a legal body that will take on the responsibility to develop and promote a kind of “School of Gastronomy” for restaurants located in Naxos. After a series of meetings and discussions, the association and the University of the Aegean agreed that the latter will help in developing a strategy and plan for establishing a “School of gastronomy” based on local recipes.

**The Promoter:** Mr Papadopoulos Ioannis

**Key players of support provision:** Consortium “Aikaterini Antonopoulou – Elias Xidias” as members of the research team of the University of the Aegean.

**Use of platforms (what happened):** In July, 2011, the University of the Aegean delivered to the association the final results of their research on how to undertake the establishment of the envisioned “School of Gastronomy”. The document consists of three chapters:

- “Taste and Culture, Naxos”: the plan for establishing the school, certificate and brand name.
- The «Cretan Quality Agreement»: analysis of a similar action that took place in Crete.
- The process for establishing a non-profit organization: a set of guidelines derived from the legal specifications required for the establishment of a non-profit body.

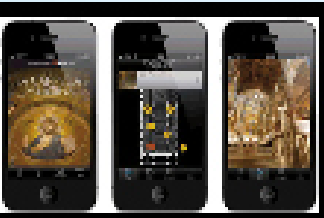
**Pilot outcomes:** Mr. Papadopoulos studied the proposal and found it adequate and conforming to his plans. He invited the research team of the University of the Aegean to jointly present the plan for establishing the envisioned “School of Gastronomy” to the municipality.

**Lessons learned:** There is a lot of potential in associations like Naxos Filoxenia to develop new activities in the local region and improve the local economy either through the increase of tourism or the export of local raw materials.



For Sicily: INFORMAMUSE

**Pilot summary:** InformAmuse S.r.l. is a spin-off of the University of Palermo. Their main mission is to “inform by amusing”, but it is actually evolving into something more ambitious. The project aims at the creation of infrastructure-based mobile devices and a kiosk with advanced interactive features for the in-situ and remote virtual visits of monuments, archaeological sites and cultural heritage, but also of major public events and exhibitions. The innovative content of the project is the integration into a single object / device of different technologies, the data being so far still restricted to a few research laboratories.



**The promoter:** Antonio Gentile and his team

**Key players of support provision:** the SMILIES contact (ARCA Incubator – IT)

**Use of platforms (what happened):** the Pilot took part in two NING groups (Italian Experts and Expressions of Interest).

**Pilot outcomes:** **QrouteMe:** a multichannel information system to build and deliver rich user experiences in museums and exhibitions, integrating interactive touch screens, QR codes, and mobile devices to implement the full enjoyment of large public spaces; **Ipalatina:** a simple tour can be turned into an immersive adventure inside history, by combining GPS positioning, QR optical codes, spherical image navigation, inertial sensors, and a lot more; **Interactive displays:** based on touch-screens and used to access on-site context-related information, fine-tuned installations allow users to enjoy multimedia contents integrated with augmented reality capabilities, along with spherical image browsing based on inertial systems.

**Lessons learned:** The creation of a network of contacts in the Mediterranean basin enables InformAmuse to share know-how and expertise in virtualization and multi-modal access to cultural heritage, to ensure on-site sustainability of the initiatives proposed.

Antonio Gentile and his team



Pilots with high business value

Criteria: Market positioning, level of development, technical and financial feasibility, originality and innovative potential of the business idea, degree of commitment of the applicant.

In Sicily: PIVICCI



**Pilot summary:** Pivicci designs and realizes creative products and interior design objects using recycled materials, primarily raw material PVC banners used for advertising campaigns, and turning them into attractively coloured, enjoyable, and unique objects. Pivvicci also reuses other materials such as jute coffee bags or used denim clothes, scraps of colored fabrics for outdoor awnings, leather jackets recovered from abandoned cars, vintage military equipment such as parachutes, tents, blankets, jackets, upholstery and marine canvas used to cover trucks and tents.

The re-used material is a secondary raw material, a potential waste which becomes a resource thanks to creativity and craftsmanship These materials are carefully selected and matched, piece by piece, resulting in an absolutely original and aesthetically valuable result. The products are designed and engineered, then outsourced to local artisans.

**The promoter:** Giuseppe ROGATO and his team

**Key players of support provision:** the SMILIES contact (ARCA Incubator – IT) and UoA.

**Use of platforms (what happened):** This pilot joined two NING groups (Fashion and Eco Design - Expressions of Interest) and added photos on the platform. Contacts with ARCA facilitators for business plan development and with University of Aegean for research on the trade legal framework are registered.

**Pilot outcomes:** Since 2010 PIVICCI has participated in several national fairs and events in Rome, Florence, and Milan. In Summer, 2010, they opened their first pilot store in Capo d’Orlando

(Sicily). In 2011 they significantly extended the product range with new materials for reuse, creating collections of unique and original bags presented at Macef in Milan. Pivvicci currently distributes its products in 10 outlets located in Northern Italy, but also exports to the UK, the USA, and Shanghai. It has an e-commerce section on its website.

**Lessons learned:** Through SMILIES, PIVICCI tried to establish transnational contacts with handicraft companies, such as small producers of leather accessories, for a manufacturing agreement, and with potential distributors of their products in touristic areas or resort villages with souvenir shops. They would like to open direct outlets to increase retail sales while maintaining contacts with the distribution of medium-high level windows in Italy and abroad and increase their collaboration and co-branding operations with other creatives and/or designers.

In Crete: HOLIDAYS IN STYLE

**Pilot summary:** The central business idea of the GS Tours pilot was to develop an alternative way to structure and offer tourism packages in Crete, starting from Rethymno. The aim is not to depreciate existing tourism products but to develop, in parallel with the existing offer, new approaches based on cultural and natural heritage more than “Sun and Sea”. The idea in itself looks simple but its full complexity is revealed in actual implementation, with a sole tourist agency attempting to study and design this new offer. The risks of failure are high, especially when one is not an expert in cultural and natural heritage. The SMILIES project provided the support, the expertise, and the networking required to implement the business idea.

Cultural assets Database



**The Promoter:** Mata Thymniano, GS Tours Chania Ltd

**Key players of support provision:** Rethymno CCI team

**Other players:** Cultural Center for “Green” tourism “MARGARITES”(GR)

**Pilot outcomes:** After the first meetings the decision was taken to focus on the valorization of the thousands of churches and monasteries that exist in Crete. The pilot received support to compose a new business plan and apply for funding from a Greek National Programme “Alternative Tourism”. An inventory of that heritage and of the exploitable resources associated to it has been created, where all the monasteries, churches, museums, hotels and conference centers are listed. By tracking nearby resources, the tool proves useful to design tourist routes and establish contacts, in view of collaborating for further steps, with cultural associations, Church representatives, producers and distributors of Cretan produce, managers of natural resources, local authorities, and tourism stakeholders.

**Lessons learned:** Success comes from sound studies and design, the coordination of all stakeholders useful for implementation and above all a shared commitment to the innovative business idea being promoted.

Giuseppe ROGATO



GS Tours



Pilots with strong social and environmental sustainability

Criteria: Social innovation, sustainable use of natural resources, use of local resources, positive impact of the proposed plan to the environment.

In the Aegean: TALASLI



**Pilot summary:** Ioanna Talasli is a glass artist in Syros dealing with artistic interventions to aesthetically upgrade public and private spaces. The novelty of the technique applied in her creations is the encapsulation of paint and metal in the core of the glass, rather than on the surface; this ensures that her works are timeless and have constant value even after daily use. In SMILIES, she requested assistance from the University of the Aegean to improve her existing web-site and e-shop and to give her adequate training to be able to photograph her creations by herself, in order to upload high quality pictures of her work to the web-site and e-shop.

**The Promoter:** Mrs Ioanna Talasli (pilot representative)

**Key players of support provision:** the research team of the University of the Aegean.

**Use of platforms (what happened):** In April, 2011, the University of the Aegean delivered to Mrs. Talasli detailed guidelines for photographing the glass products by herself. These guidelines include: (a) Basic Photographic equipment. (b) Special equipment for photographing small objects. (c) Special equipment for photographing larger objects.

In September and October, 2011, the University of the Aegean designed proposals for the online shop / gallery of Mrs Ioanna Talasli. After a series of contacts and meetings one of the design proposals was adopted and customized using the preferences of the entrepreneur.

**Pilot outcomes:** The final solution consists of a dynamic web site based on Flash technology connected with an e-commerce platform that handles the content of the online shop. The new web site and online shop enriched with high quality pictures of Ioanna Talasli’s artwork can be found at <http://www.ioannatalasli.com>

**Lessons learned:** There are many very small enterprises in insular areas of the Aegean Sea which could benefit from similar support for the establishment of a sustainable and competitive enterprise.

For Sicily: O2



**Pilot summary:** The project is based on the recovery and enhancement of the wool obtained from sheep shearing and currently considered a special waste (if burned it produces dioxin). The recovered wool is used to produce felt and textiles, transformed into three-dimensional objects or textile products that are currently aimed at museum merchandising, home and clothing. In addition to the environmental value, the project has also a significant social value, because the products are made through a cooperative (Filo diritto) that also employs prisoners of the Enna jail.

**Promoter:** Antonia Teatino of the O2 network

**Key players of support provision:** Viviana Trapani, a Professor of Design at the University of Palermo acting as expert on behalf of the Sicilian Region.

**Use of platforms (what happened):** O2 is an international network of environmentally sustainable product designers making an extensive use of web services. Antonia Teatino was in fact one of the first SMILIES pilots to register on the SMILIES Ning website, but then experienced the absence of pilot support in Sicily for a prolonged period. When Prof. Trapani was engaged as expert supporting the Sicilian Region and assigned to the project, significant support was provided to the pilot project but mainly through telephone conversations and face to face meetings.

**Outcomes of pilot:** O2 developed the strongly original business model for the production of felt products from sheep cuttings, and organized the workshop “Filo diritto per la pace” with an exhibition and laboratory that also engaged students from the University of Palermo. The project has not yet defined new products, but the collaboration continues to define the production of objects and materials for museum merchandising, hotels and the agro-food sectors. This will help to link the products to the tourism sector.

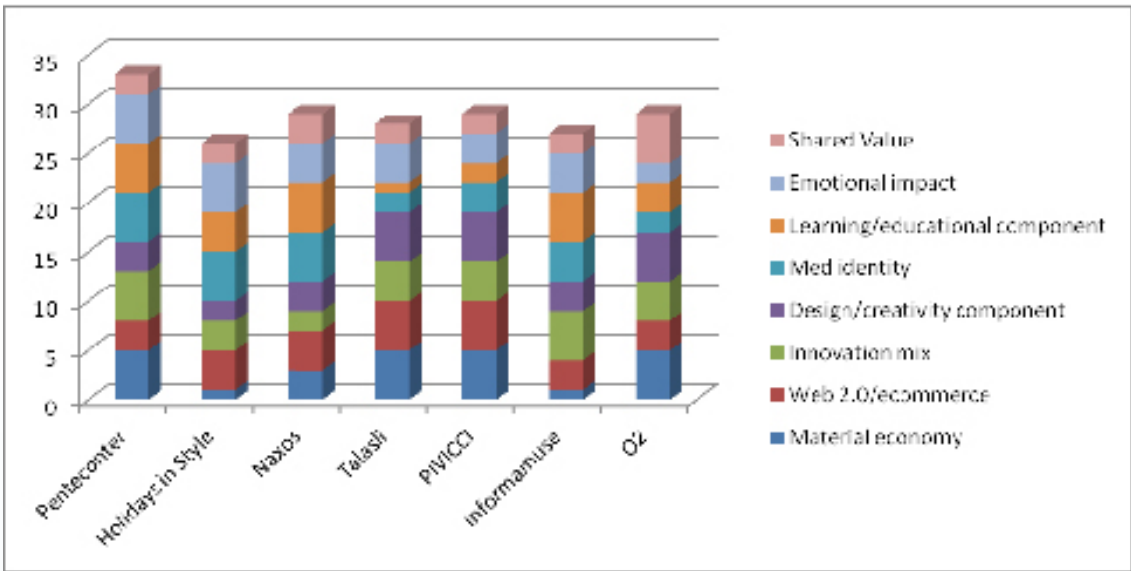
**Lessons learned:** This pilot is exemplary of a new economic model that is particularly appropriate to the context of the Mediterranean islands; manufacturing is based on recycling of a highly characteristic local product, while the project brings in a strong added value through both design and social engagement.

Antonia Teatino



Synthesis of lessons learned from pilot projects support experiences

A preliminary identification of common features of those SMILIES pilots that were awarded design prizes suggests the emergence of surprising new business models characterised for instance by unusual innovation mixes, Med identity mixed with design and creativity, a learning/educational



component with emotional impact, and “shared value creation” or the integration of responsibility towards the surrounding community into the business model. The figure below shows some of the features identified.

Let us briefly examine each of these features and their distribution across the winning projects:

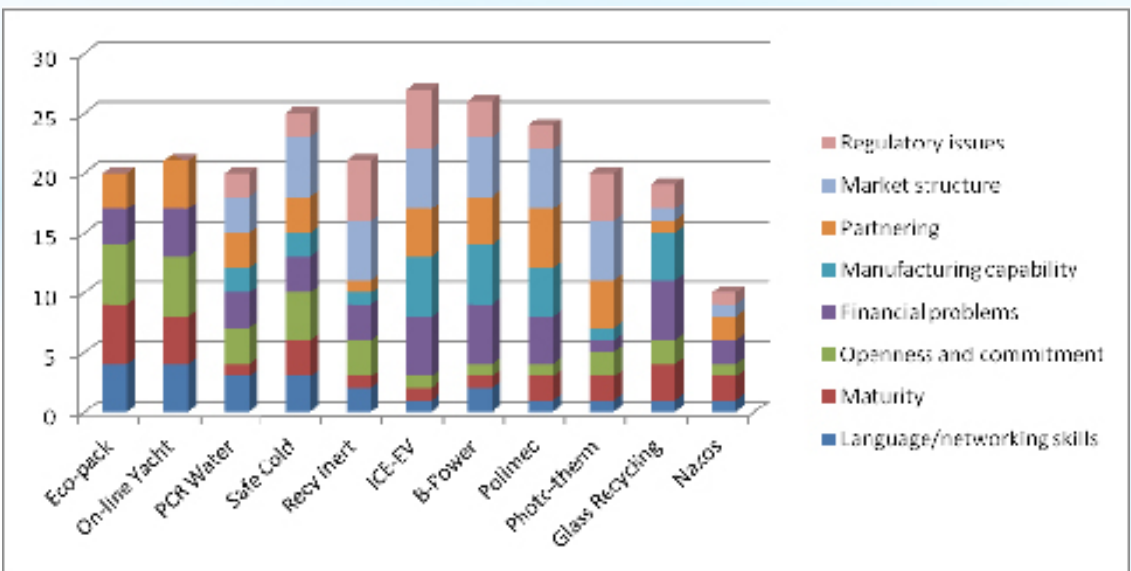
- Shared value (which links business strategies to the well-being of the surrounding communities) can be considered an emergent property, strongly however represented in the O2 pilot.
- Emotional impact is quite interestingly a very strong feature across all of the winners.
- Learning/educational component is an unexpected attribute but present in the majority of winning projects.
- Med identity is a feature that can be expected to play a role in defining added value, although it is not universally present.
- Design/creativity component is interestingly strongest where Med identity is weakest and vice versa; this is one of the key competitiveness factors identified by SMILIES.
- Innovation mix refers to an appropriate (and sometimes unusual) mix of product and process and technical and social innovation; this is a key idea in EU 2020 as well as in SMILIES, and well represented across nearly all pilots.
- Web 2.0/e-commerce is a strong feature of nearly all pilots in part due to its role in the mentoring strategy of SMILIES partners; it is interestingly strongest where the innovation mix is lowest.
- Material economy is a development of the original SMILIES emphasis on light manufacturing that attempts to compensate an excessive emphasis on the immaterial knowledge economy, but links the issue of material production closer to the spatial and cultural features of its island territories.

We could sum up the emergent SMILIES model as follows:

In the future of MED island economies are businesses and business ecosystems that are based on the material capital of those islands, often linked to their specific cultural and natural resources. Products and services are developed as an unusual blend of technical, non-technical, and social innovation, while taking full advantage of web 2.0 social and business networks. The business concept makes strong reference to the Mediterranean culture and/or extensive use of its creative talent for the design of products and services. The added value combines functional usage with an educational and learning dimension and a strong emotional impact of the service experience. Finally, the emergent Med island business explores the potential of shared value, by making its useful contribution to the well-being of surrounding communities an integral part of its business model.

Highlighting the need for institutional innovation

In a broader analysis of the development of SMILIES pilot projects, the relatively low success rate of the “flagships” – those pilots initially identified as having the greatest promise – reveals important insights into the barriers to development of light manufacturing in the Med



space, the greatest of which include rigid institutional and regulatory frameworks and obsolete market structures and business models – especially in public procurement – that discourage innovation.

It is interesting to note that of the 11 projects selected as flagships, only one received one of the 7 SMILIES prizes at the end of the project. This can be attributed to a series of obstacles as suggested in the diagram to the right.

- As can be seen, the difficulties experienced by the flagship projects can be roughly classified into two groups:
- A few flagships were based on potentially strong business concepts but with obstacles related to the skills, maturity, and commitment of the proposers. Some degree of this can be expected the very open selection procedure adopted by SMILIES.
  - The majority of flagships, however, had a strong business idea as well as a committed project team, but ran into structural difficulties ranging from production and skills capacity to regulatory issues. In particular, there was often a clash with dominant market structures and business models ill adapted either to innovation (eg as in public procurement) or to island economies (eg as in markets such as energy dominated by large players). These are perhaps the very aspects of innovation which caught the attention of SMILIES partners and thus led to their selection as flagships.

This clash between development potential and policy barriers highlights very important issues for SMILIES in terms of requirements for institutional or framework innovation, which have been identified according to three main areas:

- The first involves the need for a truly bottom-up formulation of innovative development policies for MED island territories; the potential impact in this area was explored within the Transport thematic cluster, leading to a proposal for a MED islands policy for electric vehicles.
- The second aspect involves the potential role of public procurement in promoting innovation and SMEs; this was explored in the experimentation – jointly with the CIP ICT PSP HABITATS project – of a new business ecosystem co-design procedure in the Territory and Environment thematic cluster.
- Finally, the experience of interaction with the pilot projects and the evaluation of the SMILIES process allowed to make recommendations for SME support agencies and networks themselves, whose scope and practice also could benefit from the lessons learned in the SMILIES project.

## Sustainability of the SMILIES network

The SMILIES project was primarily an experimental project that aimed to identify and test new ways to support innovation in the specific context of Mediterranean islands. In parallel, the project partners carried out a set of governance activities in order to capitalise on the added-value of the project and mainstream its outputs in local and regional policies and at the national and European levels, as a way of ensuring long-term sustainability. Coherence with the European policy framework (EU2020 strategy, Union for Innovation, Small Business Act, etc), for instance, will allow partners to continue these activities under the new priorities for Transnational Cooperation and Cohesion Policy .

To this end, several documents have been produced at different stages of the project:

- Three policy briefings:
  - “Empowering light industries through smart innovation in Med islands”
  - “Regional innovation policies based on pilot projects”
  - “Trans-regional networking of business actors”.
- A Memorandum of Understanding entitled “Towards a Mediterranean network on innovation for insular light industries” jointly developed with a Manifesto on a common strategy for innovation in the light industries of the Mediterranean islands.
- Sustainable action plans, outlining strategic axes and activities in line with both project outputs and partners’ institutional priorities, for enactment after the project’s end.
- Mid-term and final evaluations: internal evaluations on project implementation and on pilot project phase.
- The final declaration of SMILIES partners.

All these documents and recommendations share the following three key messages:

1. **Innovation support policies and strategies should be adapted to specific insular contexts:** the island-nations, the island-regions, and the archipelago regions.
2. **Networking should be empowered as an accelerator of innovation.** Trans-regional networking constitutes the alternative to trying to expand facilities and services for the needs of insular entrepreneurs, while offering niche market export opportunities.
3. **Innovation policies and innovation support bodies need to be re-defined in a demand-driven perspective.** On the basis of the SMILIES experiences in pilot coaching, a flexible approach towards innovation based on direct interaction with entrepreneurs and a clear understanding of their needs at different stages of business development seems to be the starting point for a broad re-thinking of regional innovation policies and the activities of innovation support agencies.

Despite the difficulties posed by the financial and debt crisis, the long-term impact of SMILIES depends on the capacity of its partners to pursue the dynamics initiated with SMEs on the one hand and policy-makers on the other. To do so, SMILIES can work together with other existing networks (INSULEUR, CPMR, and EEN) that are all working towards a specific approach to innovation and light industries development in the Mediterranean islands, respectful of a fragile environmental and socio-economic equilibrium. The SMILIES partnership constitutes a valuable intermediary network with both strong territorial and European connections. Its dynamics will continue to feed both levels.

## Conclusion

The majority of the countries in the MED space are facing probably one of the greatest financial crises in the past century. As the impact brings its destructive effects to the level of the families and businesses that make up our Mediterranean insular communities, it becomes increasingly clear that many of the economic development models that have shaped our policies have lost their promise of well-being and prosperity.

The SMILES project has thus unfolded in a historic turning point where everything we do towards the collective good becomes increasingly urgent and at the same time needs to take the risk of searching for a new direction. The originality of SMILIES was to start from what may appear to be the most traditional of systems – light manufacturing or more broadly the material economy – and at the same time emphasize innovation at all levels, from products to processes to policies, as the key to building sustainable island business ecosystems.

At the heart of the SMILIES “discovery-driven” approach was its extensive campaign to elicit and nurture innovative business ideas on a relatively large scale – nearly 100 pilot projects – where the project’s emergent processes became as important as the pilots themselves. Three aspects have proven particularly relevant:

1. The *openness* of the expression of interest process allowed for the emergence of unusual, sometimes unlikely ideas made possible by their promoters’ drive and passion.
2. The *suggestiveness* of the social networking platform and the trans-local business ecosystem model encouraged pilot promoters to imagine and sometimes enact new business relationships.
3. The *flexibility* of the support offered allowed pilots to develop their business ideas and networks in a co-creative endeavor involving project partners, external consultants, and other pilot projects.

The outcomes of this process, as reported in the preceding pages, all share some intangible quality that leads us to be optimistic. Indeed, the first glimpse of a new and sustainable development model emerges in an unusual mixture of technology and tradition, business and society, and local anchoring paired with trans-national networking.

As an answer to the current crisis, “innovation” has emerged as the magic ingredient for EU 2020 and all of European policy in the coming years. The SMILIES experience confirms this intuition, but suggests that the kind of innovation we need may be different from the “innovation” we have seen in policies to date. At least as concerns the Mediterranean islands, it is an innovation carried out less by single individuals or companies but rather working across boundaries to link ideas and businesses to form an embedded system, and it is an innovation that focuses less on a patent or a product but rather on social creativity with an emotional drive that engages “clients” to participate in something that gives them meaning along with utility.

SMILIES had demonstrated that this kind of innovation is possible, that it has promising business prospects, and that it can give a competitive advantage to Mediterranean island territories to emerge from the crisis. What is required however is the orchestration of the trans-national dynamics of this innovation potential at all levels, from individual entrepreneurs linking up their business ideas, to SME support bodies collaborating in joint promotional initiatives, to local and regional authorities coordinating their procurement and innovation support policies across the Mediterranean. The SMILIES partners, by ensuring that continuity, aim to make a significant contribution to the development of our territories’ creative assets and the prosperity of our island communities.

The SMILIES partners

1. RETHYMNO Chamber of Commerce and Industry - Crete (Gr) - Lead Partner

Role: Project Leader, Project Management  
Expertise: SMEs support  
Pilot activities: Lead of Pilot Activities in CRETE

2. SICILY REGION -Department of Tourism Sports and Spectacles –(IT)

Role: Leader of Initial Studies, Policies review and Internal Evaluation  
Expertise: Regional Policy and Tourism (initially: International Cooperation and Handicraft)  
Pilot activities: hire experts to support Sicilian entrepreneurs in Pilot Activities

3. CLOTEFI – Materials Industrial Research and Technology Center SA (CLOTEFI Athens Division of MIRTEC SA) (Gr)

Expertise: New Materials  
Pilot activities: Lead of Thematic Cluster FOOD

4. ANETEL - Development Agency of LARNACA (Cy)

Role: Leader of Communication Component  
Expertise: Regional Development projects  
Pilot activities: Lead of Pilot Activities in CYPRUS and of thematic cluster TRANSPORT MEANS

5. GNOSI AMKE Regional Development Consultancy (Gr)

Expertise: Regional Development projects  
Pilot activities: Lead of Thematic Cluster BUILDING & CONSTRUCTION – Set-up of online info

6. UNIVERSITY of the AEGEAN, Department of Product & Systems Design Engineering

Role: Lead of Pilots Selection for Prize Awards  
Expertise: Product Design  
Pilot activities: Leader of Pilot Activities in the AEGEAN

7. Institut de la Méditerranée (Fr)

Role: Lead of Governance issues and New Policy Recommendations  
Expertise: Mediterranean and regional policy making

8. ARCA - Business Incubator in Sicily (It)

Role: Leader of Services Set Up and of Pilot activities  
Expertise: Entrepreneurs coaching and IT  
Pilot activities: Leader of Support to Pilots in SICILY and of Thematic Cluster ENVIRONMENT

9. ELKEDE – Technology and Design Center (Gr)

Expertise: training and technical matters for Light Industries  
Pilot activities: Lead of Thematic Cluster RETAIL

10. SEPEE – Greek Fashion Industry Association (Gr)

Expertise: fashion and in international promotion of industrial products  
Pilot activities: Lead of Thematic Cluster ECODESIGN

11. REGION OF CRETE, Regional Energy Agency of Crete (Gr)

Expertise: Energy saving and RES.  
Pilot activities: Lead of Thematic Cluster ENERGY

THE SMILIES TEAM AT WORK



In RETHYMNO – Kick Off



In LARNACA – Seminar



In PALERMO – Steering Committee



In LARNACA



In Syros – Technical Meeting



In Syros –Meeting with Pilots



## The SMILIES Project: Outcomes and Results

### SMILIES Partners

- RETHYMNO Chamber of Commerce and Industry – GR (Lead Partner)
- SICILY REGION -Department of Tourism Sports and Spectacles -IT
- CLOTEFI - Materials Industrial Research and Technology Center SA (CLOTEFI Athens Division of MIRTEC SA) - GR
- ANETEL- Development Agency of LARNACA -CY
- GNOSI AMKE - GR
- UNIVERSITY of the AEGEAN - Department of Product & Systems Design Engineering - GR
- MEI- Institut de la Méditerranée – FR
- ARCA - IT
- ELKEDE - GR
- SEPEE – Greek Fashion Industry -GR
- REGION OF CRETE – Regional Energy Agency of Crete –GR

Small Mediterranean Islands' Light Industry  
Enhancement and Support

[www.smilies-project.eu](http://www.smilies-project.eu)

<http://smilies.ning.com>