



From Innovation Dialogues to Action Plans

Engaging with Industry and Public Authorities

Part 7 - LITHUANIA - VILNIUS

The 'bgi' logo is written in a bold, dark blue, lowercase sans-serif font. Above the 'i' are four colored dots: yellow, orange, green, and blue, arranged in a small cluster.

These nine reports give the reader an overview about the status of the video, computer and mobile game industry in the Baltic Sea Region as a whole and nine of its hotspot regions. The main goal of these document is to provide several examples of how to approach framework changes for an emerging industry such as the game industry, taking different contexts into consideration.

Part 7 of 9 - Lithuania - Vilnius

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those meetings were SWOT and TOWS matrixes and concrete plans for actions to be performed during the Baltic Game Industry project and beyond.

There were several joint topics/areas of interests that came out of those dialogue events.

For some countries (Denmark, Lithuania), the discussion quickly turned to cluster management or cluster creation. Although cluster development is a difficult concept to define, the idea would be to somehow formalise the cooperation between incubators/accelerators, educational institutions, private companies and public organisations. This would facilitate access to global and national support programmes and incentives for the video games and creative industry and its members. The cooperation in form of a cluster might also support the human resources development/mobilisation among enterprises, or among research systems and enterprises including the attraction of highly qualified human resources.

Other regions are planning to open a game hub or incubator to find the best and the brightest and equip them with entrepreneurial skills, such marketing, management, sales and last but not least game development. The partners from Estonia, Germany and Poland are planning to focus their efforts on building an infrastructure for innovation with game developers as a new instrument in support of the game industry. The idea would be to help indies or non-formal teams, but also young, innovative studios develop a mature approach to business.

Funding-related topics (funding, public support etc.) were discussed by several regions (Sweden, Finland, Germany): the lack of public support, obstacles in accessing information on support instruments targeted for games industry or just knowing which the current bottlenecks to raise the capital are.

Joint marketing efforts were raised by Germany, Finland, Sweden as one of the possible actions to perform as public-private co-operation. This is based on the assumption that improved marketing measures would attract new risk funding and foreign talent to the regions. With the lack of talents in most regions, improved recruiting and marketing actions are necessary to recruit not only local/national level talents, but foremost non-European and Eastern European talents to improve the regional industry's international business performance. Furthermore, if claimed to be important by the city officials, the game industry needs to be more visible in regions marketing statements.

Finally, education-related topics (all the partners). With the objective to increase number of highly qualified specialists for the game industry, the grassroots level of the industry will be tackled. Although global talent is more easily accessible today than ever before, local education and initiatives need to be introduced to allure those talents to the region in the first place. The sooner young industry talents are exposed to business-driven game development and education, the easier it will be to create solid business cases and find artistic vision. So, game education and informal education activities (youth clubs, hackathons etc.) play a crucial role in building local talents.

The above-described process initiated a continuous dialogue in the regions and countries. Although many of the detected areas for improvement require activities the impact of which will only become measurable in the long or medium term, we expect the dialogues to continue and form the gaming-hub of Europe.

Your Baltic Game Industry project team

LITHUANIA - VILNIUS



Source: Invest Lithuania

Snapshot of the Situation

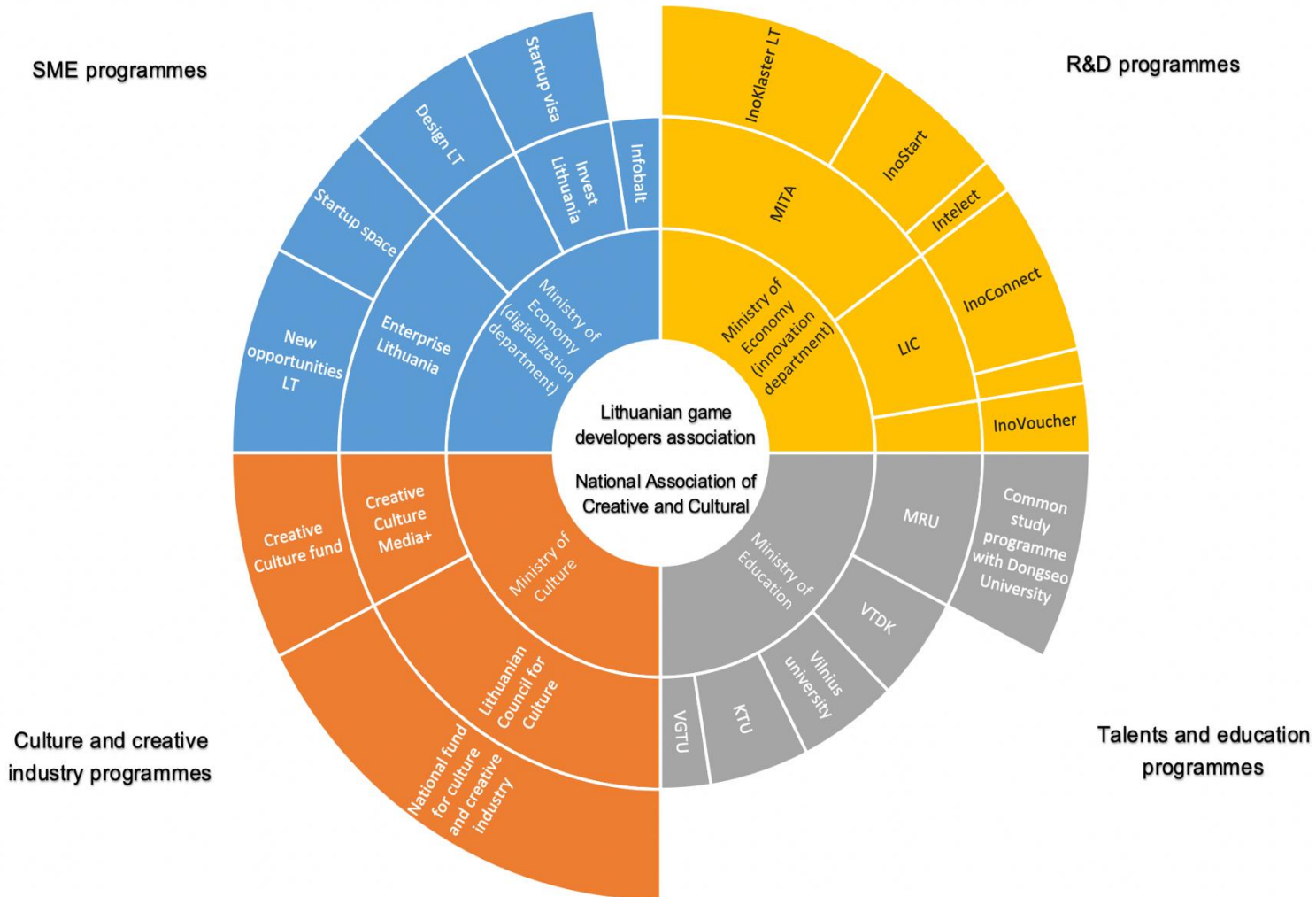
The Lithuanian game development industry is not yet very well developed if we compare it to other Baltic Sea Region countries like Sweden, Finland or Denmark. However, since 2002 the game developer community has managed to make a huge step forward – game developers learned to finish and self-publish games, they formed teams and local culture. Right now, they are addressing the new challenge of becoming a global player with making little actions: establishing game developers' association, developing the biggest game festival in the region, initiating cooperation with research institutions etc. that could lead into breakthrough in the near future. At the moment, there are 60 game developing companies in Lithuania and this number has remained almost unchanged for the past few years. Nevertheless, the number of game developers working in those game studios is constantly rising: in 2017 there were around 500 game developers working in Lithuanian companies compared to 197 employees in 2013. This means that Lithuanian game studios are constantly growing and increasing their revenue. However, the slow growth and lack of resources remain the key challenge for Lithuanian game developer industry. The Lithuanian Game Industry is represented by a high amount of small companies. The average size is 8 employees per firm which is rather small compared to most of the BSR. This low average of employees results from the fact that 45 out of the 60 Lithuanian game companies only employ up to 4 employees. This indicates that Lithuanian companies really struggle to scale-up. The vast majority of revenue created in Lithuanian game industry is generated by the few large companies. While countries like Germany, Ukraine and Poland all have their own domestic markets which fosters the growth, it is a lot more challenging for much smaller countries like Lithuania to make that ice breaking steps. Also, the companies' growth is hindered by the fact that for small game studios it is quite hard to get a financial injection from external sources: private investors are always very cautious when thinking about investing in a game company, there are public

grants which aim to foster entrepreneurship and companies development at a seed stage, however none of these grants or funds are specifically dedicated to game development companies. Moreover, there are no incubators specialised on game start-ups, therefore in this area we see some room for improvement in terms of target-oriented support to strengthen the Lithuanian Game Industry. Lithuania has a lot of creative indie studios that create unique games; however, the visibility of small video games has never been worse than it is now, therefore some kind of external support is needed to scale-up those game studios.

The main lobbyist group that puts their effort to improve conditions for Lithuanian Game development industry is Lithuanian Game Developers Association (LGDA). It is small group of game enthusiast who come from game development studios and try to represent whole industry in talks with different public and private institutions. LGDA organises Game Jams in Lithuania which are very popular among students in Lithuania, also contributes to the biggest game culture fest GameOn and organise Video Game Developer awards in Lithuania. The association is very active in communicating with public authorities, it seeks to establish a dialogue with different ministries which are responsible for various financial grants. A major breakthrough was reached in the funding policies of the Ministry of Culture: The Council for Culture established two programmes which, for the first time, explicitly lists video game projects as legitimate candidates to receive state funding. With all that taken into account there is still a lack of perception and support for the Lithuanian game development sector – from the government, in particular from Ministry of Economy. Thus, LGDA in cooperation with other active stakeholders in this field needs to strengthen the activities and initiatives that would further improve the status of the industry in the eyes of various institutions and the public, raise the visibility of the opportunities the Lithuanian game industry can create for individuals (career and entrepreneurship), businesses (partnerships and qualified workforce) and the state.

Communication Map

Communication map of Lithuanian game development industry



Chosen Approach for the Dialogues

Our chosen approach for the innovation dialogue was influenced by two main factors: the fact that Lithuania has an active game developer community which is networked by the Lithuanian game developers' association. This organisation has a huge role in boosting gaming industry - it could provide information and connections that we need to implement changes. The second factor that made an impact for our chosen approach is Lithuania's governmental structure: Lithuania has a very centralised governmental system, it means that all initiatives connected with public funding, education or incubator network are decided by our national government and local municipalities have very little power and resources to act in these fields.

We have managed to establish a good and mutually beneficial relationship with pro-active LGDA and with the most influential actors from Lithuanian game studios. We started with the identification of the main challenges that need to be targeted in order to foster development of young game studios. Also, we have agreed on steps that should be taken to make Lithuanian companies global market players. In addition, we were talking about the current status of relationship with government institutions. The main questions were these: why just a few initiatives proposed by LGDA were accepted by the Lithuanian ministries and what kind of obstacles exist that prevent game developers from closer collaboration with those managing authorities. The main task was to identify the key obstacles that hinder active collaboration and what measures should be taken in order to overcome those obstacles.

Thus, we have chosen a bottom-up approach: with game development community we have identified challenges. In line with those challenges we have found good practices that could be a solution for those issues. We collected all the necessary data about our game development industry and identified a local hero that could inspire other companies and the public, because we needed some kind of story that could be told for managing authorities and whole community. Later, we have involved the representatives of Ministry of Economy who right now act as advisors for the sector development. They provide us with connections and advice about the steps that should be taken to get more attention from local and foreign investors, other sectors and public institutions.

The Innovation Dialogue

Kick-off meeting of the Innovation Dialogue

June 21st, 2018

Introducing BGI BSR project and gaining more knowledge about game development industry in Lithuania.

Venue: Workland, Vilnius

10 attendees (upon invitation): The most influential and active representatives of Lithuanian game development industry.

Discussion on topic: business support opportunities.

August 30th, 2018

Venue: Kaunas Science and Technology Park, Kaunas

More than 30 attendees: mix of stakeholders from the game development community, business support ecosystem builders, representatives of education and national authorities.

International discussion on topic: education for game developers

November 3rd, 2018

Venue: Litexpo, Vilnius

More than 30 attendees: Lithuanian and international experts of education, the game development community and representatives of national authorities.

Discussion on topic: innovation support opportunities

December 6th-17th, 2018

Venue: Ministry of Economy, Vilnius

More than 15 attendees: Lithuanian Game Developers association, Invest Lithuania, Business Lithuania, representatives of Ministry of Economy.

Discussion on topic: cluster creation and cross-sectoral networking

January 24th, 2019

Venue: Kaunas Science and Technology Park, Kaunas

10 attendees: Lithuanian Game Developers association, the game development.

Outcomes and Next Steps



*30 August, 2018: Discussion on topic:
business support opportunities, Kaunas*

Perception of Lithuanian game development industry

During the first event we found out what perception people from different industries and sectors had of the game development industry: business people, public authorities, investors and business support organisations. There is a lack of appreciation and support for the Lithuanian game development sector from the government and the society.

Representatives of the game development industry explained that studios work like start-up teams and consider themselves as a

business. However, the lack of attention paid by business support organisations and public authorities hinders the growth potential of this booming industry. Public support instruments are mainly dedicated to companies which are making R&D projects, however not many small enterprises are familiar with it and do not have know-how on how to use these instruments.

Next steps: The main task after this event in collaboration with our main stakeholders was to gather relevant data about the gaming industry and prepare the main proposals what could be improved in public support ecosystem in order to increase the benefit acquired by game development companies.

Business support opportunities for game developers

The focus of this discussion event was on the support instruments that are available for game developers, and what financial and non-financial support game developer studios still need. We queried how the Lithuanian gaming industry ecosystem could be improved. Lithuanian enterprises lack access to experienced marketing and sales specialists who could create help them improve their strategy for exporting their games.

The representatives of Ministry of Economy participated in this event. The main focus was directed to the concern whether game development is an art or a business. The members of Lithuanian game developers have convinced the authority members that game development is a serious business with a huge potential in it, therefore it needs to be supported as any other business sector and innovative emerging industry. The representative of Lithuanian game developer association stated that a good starting point could be the inclusion of the game development area into a national Smart Specialisation strategy. The Vice-Minister of Economy of The Republic of Lithuania agreed to act as the gaming industry's ambassador in decision-making institutions.

Next steps: The Lithuanian game development industry is quite young, therefore, we decided that it would be worth to look for a good practices of business support schemes in other more matured markets. The main goal of this task was to get more information about good practices which were made in other countries like Sweden, Finland, Germany or Israel, and consider the possibilities to transfer those practices into Lithuanian ecosystem.



30 August, 2018: Panel discussion with Mr. Čivilis, vice-minister of Ministry of Economy and Innovation, Kaunas

Education for game developers

This discussion was organised during the biggest games' festival in Baltic states: GameOn. This occasion provided us with an opportunity to gather experts from all over the Europe and other countries who shared their experience on how

they managed to build an education ecosystem for game developers in their country. We have taken a very broad approach and discussed about all kind of levels of education: starting from high schools where it is essential to promote STEAM programs and continuing with a discussion about a higher and informal education, because the vast majority of countries have specified study programmes for game developers that allows to ensure the presence of skilled professionals and the establishment and maintenance of innovation in their region.

Next steps: In order to establish the same practices in education system that other countries have, first of all we have to find politicians who would be interested in this topic and could be activist and lobbyist in decision-making institutions. The next step would be the inclusion of game design education in the national ICT strategy.

Cluster of game developers and cross-sectoral networking

This meeting was organised in order to generate ideas on how to scale-up small game studios which usually lack of resources to develop new games and are too small or financially unsuitable to apply for public funding. Small game studios have problems with communication, public relations, marketing and business development. These issues can be targeted collectively by creating a business cluster that would enable game studios to share their expenditures and resources with other start-ups. Another approach is to engage several game studios into successful and mature ICT-related cluster, where game developers could learn from other experienced companies how to sell products or would have an opportunity to be part of value chain creations. Moreover, in order to increase revenue streams for game studios, it is essential to establish cross-sectoral relationships, for example with logistics, tourism, the medical and educational sectors which are ready to pay for the technologies and know-how that even small game studios have.

Next steps: To organise 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 solution.

TOWS Analysis

S/O USE STRENGTH TO MAXIMISE OPPORTUNITIES

1. Creating a strategy to promote Lithuania as a game development hotspot;
2. Collaboration with different public institutions to promote Lithuanian brand in foreign countries;
3. Helping companies in creation of new game development cluster;
4. Offering marketing, business development and sales mentors;
5. Increased personal contacts and networking between local companies.
6. Active international networking should be promoted and the opportunities offered by the EU should be used;
7. Attracting FDI.

S/T USE STRENGTH TO MINIMISE THREATS

1. Creating a supporting development program for the game development sector.
2. A separate game development fund should be set up as a fast and flexible funding mechanism.
3. Strengthen weak areas of the production value chain, i.e. marketing, promotion, branding.
4. New legislations on employment procedure.
5. Lithuanian game developer association might develop a cooperation between ministries
6. Exposing opportunities and benefits of working in game development companies.
7. Attracting world-class developers, designers and researchers to Lithuania



W/O MINIMISE WEAKNESSES BY USING OPPORTUNITIES

1. A multidisciplinary approach should be encouraged: interdisciplinary and interactive joint concepts involving science, art and technology.
2. Introducing game development companies with the concept of R&D and presenting support instruments which provide finance for R&D projects.
3. Encouraging companies to create serious games.
4. The information base of the sector must be reinforced by developing research on statistics on main figures.
5. It must be ensured that studies related with game development are widely taught within general education and at universities and other forms of tertiary education.
6. Initiating personnel and expertise exchange program in cooperation with other BSR countries.
7. The opportunities offered by the EU vis-à-vis training and research should be utilized.

TOWS

W/T MINIMISE WEAKNESSES AND AVOID THREATS

1. Promote capital funding in the game development sector;
2. The availability of venture capital funding in growth-oriented game development sector should be ensured.
3. Increasing the recognition and appreciation of the importance of the game development sector;
4. Creation of an overall strategy for developing and promoting Lithuanian game development sector.
5. Preparing a study that shows whether a tax relief on a par with that on cinema industry could be applied to game development

<p>Maxi-Maxi Strategy:</p> <ol style="list-style-type: none"> 1. Creating a strategy to promote Lithuania as a game development hotspot. 2. Collaboration with different public institutions to promote Lithuanian brand in foreign countries. 3. Helping companies in creating new game development cluster. 4. Offering marketing, business development and sales mentors. 5. Increased personal contacts and networking between local companies. 6. Active international networking should be promoted and the opportunities offered by the EU should be used. 7. Attracting FDI. 	<p>Maxi-Mini strategy:</p> <ol style="list-style-type: none"> 1. Creating a supporting development programme for the game development sector. 2. A separate game development fund should be set up as a fast and flexible funding mechanism. 3. Strengthen weak areas of the production value chain, i.e. marketing, promotion, branding. 4. New legislations on employment procedure. 5. Lithuanian game developer association might develop a cooperation between ministries. 6. Exposing opportunities and benefits of working in game development companies. 7. Attracting world-class developers, designers and researchers to Lithuania.
<p>Mini-Maxi Strategy:</p> <ol style="list-style-type: none"> 1. A multidisciplinary approach should be encouraged: interdisciplinary and interactive joint concepts involving science, art and technology. 2. Introducing game development companies with the concept of R&D and presenting support instruments which provide finance for R&D projects. 3. Encouraging companies to create serious games. 4. The information base of the sector must be reinforced by developing research on statistics on main figures. 5. It must be ensured that studies related with game development are widely taught within general education and at universities and other forms of tertiary education. 6. Initiating personnel and expertise exchange programme in cooperation with other BSR countries. 7. The opportunities offered by the EU vis-à-vis training and research should be used. 	<p>Mini-Mini Strategy:</p> <ol style="list-style-type: none"> 1. Promote capital funding in the game development sector. 2. The availability of venture capital funding in growth-oriented game development sector should be ensured. 3. Increasing the recognition and appreciation of the importance of the game development sector. 4. Creation of an overall strategy for developing and promoting Lithuanian game development sector. 5. Preparing a study that shows whether a tax relief on a par with that on cinema industry could be applied to game development industry, too.

The Action Plan

Steps towards an Action Plan

The objective of our action plan is to develop a comprehensive plan to support game development studios in order to improve their business competitiveness on a global market. Since the beginning of 2018 we have learnt a lot about Lithuanian game development industry through organising innovation dialogue events where we managed to involve experts from various private and public organizations. Also, we have collected data about each game development studio that is established in Lithuania to get a comprehensive image of the industry that we have today and to identify areas where improvements could be initiated. Also, the results from the joint analysis cluster allowed us to make a benchmarking comparison with other BSR countries and learn from their good practices. Finally, the detailed SWOT and TOWS analysis were made in cooperation with regional working groups. The results of this analysis were studied in detail and in accordance to the main findings we have decided to start several actions that would add value for our game development industry ecosystem. The areas that we have identified and that will be targeted by our actions are: Cluster creation and cross-sectoral networking, Smart Specialisation priority area, Game development industry Annual report.

During the transnational learning events we noticed that it is quite hard to learn from other countries how to develop game development sector, because each country has a very different background and is on a different level of development. Therefore, it is a quite challenging task to take a good practice from one country and transfer it into Lithuanian environment. However, those good practices could be taken as general ideas how the industry could be improved and with slight transformations these ideas might be adapted and integrated in every region. 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. Also, for a long time Lithuanian game community is lobbying for a new financial support instrument that would be specified for game studios. The inclusion of game development area in Lithuanian Smart Specialization strategy would ensure an access to innovation support instruments. Finally, the cluster creation and cross-sectoral networking is the main area of improvement that we think could help to boost Lithuanian game development industry, in addition, this approach might change the perception of other business sectors about game development. We hope that closer cooperation with other sectors would promote game development industry as a high-tech business sector.

Targeted areas:

1. Cluster creation and cross-sectoral networking
2. Smart Specialisation priority area
3. Game development industry Annual report

Meetings with:

- Ministry of Economy
- ICT and Creative sector clusters
- LGDA
- Game community

Link to action plan:

http://lic.lt/wp-content/uploads/2019/09/BGI_veiksmu_planas_n.pdf

Summary of the Action Plan

Cluster of game developers and cross-sectoral networking

Lithuanian developers currently lack a cluster that would be focused on new technologies or serious games development. Game studios have two options: either create a new cluster which would consist only of gameDev studios or engage with other related clusters (ICT, video, multimedia, web, etc) which also develop 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.

Also, there is an emerging need for networking events for game studios and other sectors to gain more knowledge on the demand in traditional industry sectors for new technologies such as mobile and tablet technology, virtual and augmented reality, web-based user interfaces, gamification, 3D design and printing. 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.

Annual game development industry report

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.

Smart Specialisation priority area

Access to finance remains one of the main challenges for all game studios in Lithuania. Identifying intangible assets and measuring the risk of investing in creative projects remains a challenge for potential private investors or business angels, this situation creates a financial gap between investors and game studios. Therefore, game development studios have difficulties finding financial support from private investors. Public financial support is available in Lithuania even for small and young companies. However, the process of obtaining these funds can be very difficult for small companies which do not have a lot of experience in submitting the application forms. Current innovation support programmes provide financial grants for those companies that meet the requirements of smart specialisation. However, game development is not included into the Lithuanian smart specialisation strategy and as a result, game studios that are hoping to get a financial grant from those programmes have to describe their project as an ICT innovation or a business model innovation, but not as a new innovative game project. Our aim is to ease the application procedure for game development companies by involving game development into Lithuanian smart specialisation strategy.

THE PROJECT

The project 'Baltic Game Industry' (BGI) aims to foster the game industry in the Baltic Sea region - turning an ambitious game developer scene into a competitive and attractive business sector with sound innovation potential and thus making the region a game hotspot with worldwide competitiveness.

The partnership works together on framework condition improvements, on making business support services fit for the special needs of game start-ups and finally on new business opportunities for game developers in other industry sectors, such as health care. The core element is the installation of durable game incubators, programmes and schemes for game start-ups across the region.

BGI effectively combines policy and business development. Tailor-made game business support fosters a durable economic growth of this innovative industry in the whole region. The introduction of VR technologies in non-game industries contributes to boosting innovation beyond games. The common branding of the Baltic Sea region as game innovation hotspot will attract international clients, investors, creative entrepreneurs and qualified workforce.

Read more at www.baltic-games.eu

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