



## Supporting Innovation and Boosting Competitiveness in Croatia

Croatia is the birthplace of scientists like Nikola Tesla, whose discoveries made it possible for mankind to use electricity in everyday life. And of Rudjer Boskovic, whose 18th Century studies inspired the field of electromagnetism and whose work improved the performance of the Royal Society's telescopes and strengthened the dome of St. Peter's Basilica in Rome.

Croatian scientists are still making important contributions, although most have yet to boost the country's economic development.

An IT company in Zagreb, *Pet minuta (Five Minutes)*, is making a difference. The software company develops innovative applications and has grown considerably since its establishment in 2006. Founders and IT specialists Viktor Marohnic and Sasa Saunic have steadily hired more staff and increased profits to over \$1 million despite the economic slowdown.



Viktor Marohnic, co-founder of ShoutEM, Networking on the Go via Mobile Phones

The company's major product is a software platform for mobile phones named *ShoutEm*. *ShoutEm*, allows social networks to communicate over mobile phones, through text messages and photos, and to share links and data files. It requires minimal hardware expense and IT knowledge and is therefore both easy to use and affordable.

The product showed such commercial potential after its test phase that Slovenian venture capital fund, RSG Capital, invested \$1.2 million in August 2010 to develop *ShoutEm* into a global product. *Five Minutes* co-founder Viktor Marohnic now runs *ShoutEm* UK in London.

Sasa Sarunic, *Five Minutes*' other founder remarked: "we haven't felt the global crisis, and this can be seen from the fact that our number of employees rose last year from about 10 to 25, and we have doubled the profit."

Why did Sarunic and Marohnic succeed in an economic crisis? Because their innovative ideas were recognized by the government's Business Innovation Center of Croatia (BICRO) which provided them with development support through a World Bank-funded project.

### Multimedia



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The World Bank Science and Technology Project was conceived as the backbone of Croatian government policy supporting science and technology and increasing support for a variety of innovations. One objective was to have more research performed in collaboration with businesses. The other was to increase the amount of research and development performed by small and medium-sized enterprises—about 80 of which got access to \$46 million. After the economic crisis hit in late 2008, cash and investments were hard to come by. These funds countered that.



Aljosa and Nebojsa Boskovic, founders of BANKO

Innovation comes in many forms. Twin brothers, Aljosa and Nebojsa Boskovic run BANKO, a small family company that sells pneumatic grinders used in shipyards and other industries that use steel. Aljosa is technically inclined, Nebojsa is a skilled businessman. Together, the brothers designed and built a grinder that works faster and lasts longer than its competitors' while being very energy efficient. The BANKO grinder was evaluated for three months at a Split ship yard, with impressive results.

"Our grinders are unique on the market; the grinding is 30% faster, reducing human hours needed to, for example, construct a ship, with savings in construction costs of up to half a million Euro per ship. We are also extremely happy that this was a product of a successful cooperation between the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb and our company showing that science and business go hand in hand," said Nebojsa Boskovic.

With a solid business plan in hand, the brothers obtained \$1.9 million of seed capital to commercialize their project. In June 2010, they offered their product on the market and have since signed contracts with buyers from the Netherlands, Germany, Russia, and Ukraine.

BANKO obtained funding through a BICRO-managed program supported by the World Bank for two reasons. Its product had potential, and the company planned to collaborate with a public research organization. This practice was not very common in Croatia, as public research organizations had little contact with private companies. But, thanks to the Science and Technology Project, more and more small and medium enterprises are collaborating with public research organizations on R&D.

ShoutEm and BANKO's successes are indicative of Croatia's innovation potential and of the impact of the Science and Technology Project. So is the change in mindset among scientists, who are now more open to commercial applications of research results, further unleashing the country's innovative potential.

Rudjer Boskovic Institute, Croatia's most prestigious scientific institute, is building a solid portfolio of patents and five spinoff companies have been created in the last three years. Brodarski Institute, which does research on maritime technologies, signed 33 new contracts worth \$9.6 million with private companies. That is a vast increase over 2006, when two contracts worth \$400,000 were signed. Private companies now form 40 percent of their revenue, up from 22 percent in 2006.

Through the project, BICRO has become the driving force behind the national innovation system. It has given dozens of businesses millions in financing which might otherwise have been unavailable because of the economic crisis. And it has helped to create 350 jobs and assist 340 companies with business-related processes through its technology centers.

"Croatia's experience shows that innovation policies focused on supporting business R&D and enabling the commercialization of public research can achieve tangible results in a relatively short period of time. This is of particular importance in times of economic crisis when budgets are constrained and when economies need to unleash innovation and productivity as new drivers of economic growth," says Paulo Correa, World Bank task manager for the Science and Technology Project.