# Brussels Briefing December 14th 2011:

## "Fostering Innovation in SMEs through INTERREG Projects"

As global competition intensifies, innovation is increasingly being recognized as the critical source of sustainable competitive advantage and a key determinant in the survival of small and medium sized enterprises (SMEs). While the importance of innovation is universally acknowledged, fostering a culture conducive to innovation is a complex task.

To what extent are INTERREG projects adapted to the specific needs and characteristics of SMEs? Do these projects actually work, if not, what other measures are warranted to correct this? How can the European Union engender a climate where SME innovation can flourish, creating a more dynamic economy and greater employment opportunities? How can policy makers raise awareness in SMEs that innovation is crucial to survival in a globalised world? What role should organisations play in the stimulation of innovation?

This highly informative event, held at the West Midlands European Centre, aimed at providing answers to these challenging questions and gave detailed insights on key INTERREG funded projects leveraging innovation. It was also an opportunity for major European policy makers, academia, businesses, institutes and networks with different expertise and backgrounds, to strengthen their co-operation at an international level, to network and exchange experiences.

The briefing was opened by key note speakers, **Ms. Henriette van Eijl**, whose main responsibilities are to coordinate and implement the activities of the Lead Market Initiative and secondly, to contribute to the development of future European innovation policy activities in the European Commission's Directorate General. Ms. van Eijl is also particularly responsible for developing activities in the areas of societal challenges and social innovation.

She opened the debate by describing her professional background and surprised the audience by stating, *"I am not just another bureaucrat from the European Commission but an entrepreneur who started a career at age 12 by opening a small company dealing with plants. With the profits of this company I bought my first shares in PHILIPS. "* She then, went on to explain that consequently her experience within the private sector enabled a better understanding of the entrepreneurial environment and needs of SMEs.

**Ms. Henriette van Eijl** continued her presentation by giving an overview of the Horizon 2020 budget dedicated to innovation and presented its objectives and content.

Firstly, Horizon 2020 is a combination of 3 programmes with less complex and more harmonized financial rules. New forms of innovation are also being funded with a special focus on societal challenges in health, clean energy and transport. special focus on societal challenges in health, clean energy and transport. New to Horizon 2020, is the application of a single set of rules with one

funding rate per project, in addition to streamlined evaluation criteria. Less complicated rules for the allocation of grants have been put into place with fewer and improved targeted controls and audits on intellectual property.

**Ms. van Eijl** also stated, *"to further facilitate access to Horizon 2020, a common IT platform has been specifically designed to simplify provisions in the Grant Agreement and implementation process."* The presentation also highlighted how the European Commission is currently promoting Innovation in SMEs via the new EU programme, COSME (2014-2020). This proposal is enhanced with an overall budget of 2.5 billion € aimed at improving the competitiveness of European enterprises. SMEs will be able to access finance to support studies, assessments, meetings, conferences, databases, personnel exchanges, prizes and projects. Parts of the programme are to be managed by the European Investment Fund and the EU executive agencies.

**Ms. van Eijl** presentation can be found on the ERMIS project website: **www.ermisproject.eu**

**Philippe Vanrie** works closely with the European Commission and more directly with over 50 BICs, Incubators and other business support centres. He has initiated and conducted pilot schemes in the field of academic and industrial spin-offs, clustering, business cooperation, local development and technology transfers.

During the seminar, he provided a comprehensive presentation of the EBN Network and explained why networking is, "not simple but a serious and complex skill that needs a collective neutral approach. Some of the key priorities for SMEs are to stabilize and increase their business, diversify their range of products and services, as well as strengthen their core competences. In addition to improving the company's financial robustness, SMEs must also stay focused on optimizing their margins by staying competitive.

For a majority of SMEs, innovation is about connecting ideas, markets and people. A network is a non-linear process, a fractal subject, semi-chaotic, semi-organized, with its own open source language, inter-operable and competitive.

When questioned about how innovation could be encouraged, **Mr. Vanrie** acknowledged that innovation could be introduced as a management objective by means of a process put into place to develop and capture ideas. Internal and outsourced collaborative schemes could be promoted without forgetting to enable two key factors in support of innovation: entrepreneurship and networking capacities.

# Brussels Briefing Debate:

## "Introducing 4 key projects leveraging innovation in SMEs"

The plenary session ended with the exploration of **four key projects** supported by the **INTERREG IVC Programme**, financed by the **European Union's Regional Development Fund (ERDF)**. They each gave different perspectives and approaches on the issues of fostering and leveraging innovation policies to support the growth of Small and Medium Enterprises in Europe.

**ERMIS:** Upgrading the innovation capacity of SMEs is the goal of this project. It explores the determinants and the most relevant methodological approach for an effective management of Local Innovation Systems.
[Partners aim to enhance the leverage effect of their local innovation policies by developing an effective systemic approach involving the whole value chain of innovation dedicated to SMEs].

**CLUSNET:** A project aimed at improving the performance of European clusters. CLUSNET is a platform for cluster policy experts and decision makers from 10 large European cities to exchange on best practices in cluster policy support. The project fosters links between clusters from all over Europe and acts as a tool for public authorities to improve the impact of their cluster policies and strengthen their competitiveness.

[Thematic policy seminars are regularly organised in partner cities, allowing for in-depth analysis of local policies in order to identify ways of increasing cluster performance].

**RAPIDE:** A project focused on supporting the implementation of good practice relating to the role of the public sector in stimulating innovation in partner regions. In particular, the project will help businesses, primarily SMEs, bring innovative products and services to the market more quickly.

[RAPIDE's practical outcome will be Action Plans to steer mainstream programme investment , eg. Convergence & Competitiveness Programmes].

**EURIS:** Aims to help regions embrace 'Open Innovation' leading to open and accelerated cooperation rates between innovation stakeholders. The project allows regional stakeholders to receive first hand successful experiences and good practices from other European regions, and promotes interregional cooperation for the exchange, transfer or development of new 'open Innovation' approaches.

All these programs put SMEs at the core of their actions and highlight effective practices supporting the growth and development of these small and medium firms through innovation. They also address the necessary conditions required to achieve the effective interregional transfers of such practices.

The focus on SMEs is particularly relevant as there are countless studies conducted by the EU and academic institutions having shown that:

- Fast-growing SMEs are the main source of productivity and employment growth in Europe. Most European countries suffer from a lack of these fast-growing SMEs.
- Southern European countries have major difficulties in generating industrial innovation and note a low degree of novelty industrial innovation.
- There are huge differences among countries in the rate of survival and growth of start-ups with high growth potential.

Moreover, it has been widely demonstrated and is now shared by all economic development policy makers that:

- Innovation is a key driver of growth for SMEs.
- Innovation covers a much wider scope than new processes or new products. It also concerns new methods of marketing products or services, as well as organizational innovation and how businesses are configured; rethink their workplace, their value chain, including their relations with external policy makers. Research has also demonstrated that effective organizations consider innovation as a real business model.
- Territorial policies within regions are recognized as a prominent lever to help the performance of the business environment through the focus on clusters as a delivery mechanism for SME innovation and growth.
- Industrial policies should focus on the business environment instead of the company's themselves. Indeed, only systemic approaches can leverage innovation through a critical mass effect in a context of uncertainty and complexity.
- The territorial approach to innovation should probably put more emphasis on what is called 'place-based' innovation practices, thereby emphasizing the influence of a local context in the effectiveness of innovation policies.

These projects gave illustrations of this systemic approach. They emphasized examples of interregional cooperation that go beyond the traditional benchmark and often ineffective 'copy-paste' practices.

Details of these 4 projects complemented the information given by **Ms. van Eijl and Mr. Vanrie** on the Horizon 2020 guidelines and objectives, as well as outlining the favourable conditions needed for structured networks to foster innovation among SMEs.

**Ms. van Eijl** particularly emphasized three major axes of Horizon 2020:

- Excellence in science
- Industrial leadership through enabling and industrial technologies with an emphasis on disruptive solutions issued from multidisciplinary cooperation

- Societal challenges (such as health, demographic change, food, smart grids...)

# On-Going ERMIS Project Activities & Highlights

## ERMIS project shared outputs:

After having designed and experienced a common methodology for a context-specific SWOT analysis of their territories, the 15 **ERMIS** partners are well underway exchanging best practices. These exchanges call attention to issues of classifying different types of characteristics to facilitate the comparison of different regional environments, namely, 'proximity context'. This approach allows regions to be compared on any given level, enabling more efficient transfers of practices between territories. Some commonly shared key success factors of effective transfers have started to emerge, such as a common type of industry structure, (firm size, cluster characteristics, background, maturity, emergence & the existence of enabling technologies or industries), the density of academic knowledge, territorial trade-offs on innovation priorities, or the existence of a research technology industry value chain.

The issue of a structured value chain of innovation is also emphasized in **EURIS**, highlighting a major focus on networking and collaboration. Primary exchanges and outputs between partners tend to strengthen the role of intermediaries in platforms for open innovation. Moreover, they draw attention to the importance of a centralized coordination of management for open innovation arrangements. Key questions remain concerning the correct level of coordination between regions, districts, cities and clusters, along with the role of one-stop-shops as facilitators and accelerators supporting SMEs.

In line with the objectives of Horizon 2020 to increase efforts on applied research and the transformation of innovation into wealth creation, the **RAPIDE** project has highlighted three context-specific tools that were experienced within the frame of the programme.

1) Innovation voucher schemes: to help small enterprises access skills and research expertise from knowledge providers to help deliver a knowledge solution to an innovation project.
[Implementing regions tend to allocate these vouchers to innovative projects anchored in a local innovation strategy].

2) Pre-Commercial Procurement (PCP): a particular approach of procuring R&D services, enabling public authorities to purchase technological innovative solutions to satisfy a local need (social, technical, economical). It focuses on areas where commercial solutions are not yet in place.

[This arrangement results from trade-offs of local authorities willing to initiate a local market for emerging industries].

3) A digital patent trading system: a verification text analysis tool capable of counter checking future applications with other funding programmes to avoid double funding.
[This provides a solution that contributes to the structuring and allocation of funds of high potential projects].

**CLUSNET**, also contributes to a place-based approach of local innovation chains. The project has cross-analyzed regional configurations of clusters, either 'membership-oriented' or 'cooperation-oriented'. The outputs of the project emphasize the need for both intra and inter-cluster cooperation, thus giving a field experimentation of the network theory of strong and weak ties to stimulate creativity and innovation within organizations. It seems that regions gifted with enabling technologies (such as ICT) tend to stimulate inter-cluster cooperation to generate emerging markets as a growth source for SMEs.

These four programs have reported the necessity to clearly analyze a local context and policy, in order to identify relevant practices likely to generate similar outputs from one region to another. They also highlight examples of regions having made clear trade-offs with regards to their economic development, thus implementing from their local level a form of 'smart specialization'.

# ERMIS Project Zoom: What's been happening so far!

The 4th period of the project continued the intensive period of best practice cross visits between partner regions.

Cesena in Italy was first in line by presenting their sustainable energy action plan, a planning and administrative tool promoting environmental innovation. Visitors also had the opportunity to visit a nearby bio-mass plant. The ERMIS lead partner, Riviera Chamber of Commerce together with the CASA (Communauté d'Agglomération, Sophia Antipolis, France) organised an educational tour in mid June.
Greek partners from the region of North Aegean and the Samos Chamber of Commerce continued these visits by hosting project partners in September. Visits included the Aegean technopolis and Biobus, the Biodiversity resource centre dedicated to innovative business development. In October, our Portuguese ERMIS partners, Penela Municipality and the IPN incubator organised a visit to the Penala area, where partners learnt more about their sustainable tourism development programme and the activities of the IPN Incubator. Other ERMIS partners went on an educational tour to Denmark organised by the Municipality of Eindhoven in early November. This tour included visits to Devlab, the Holst centre and the United Brain and Creative Conversion Factory.
Cross visits continued with an additional tour hosted by Spanish partners, AD Europa in late November, where partners were presented an innovative R&D managers training program and given the opportunity to visit the Specific Unit of Identification and the Monitoring of European & International consortia.

These best practice visits assembles not only project partners but regional innovation experts and policy-makers to study,

experience and be inspired by the most advanced innovation practices within ERMIS partner regions.