

Innovation capacity of SMEs



Why reinvent the wheel?
Capitalising on regional policy
achievements in boosting the
innovation capacity of SMEs



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Why reinvent the wheel? Capitalising on regional policy achievements in boosting the innovation capacity of SMEs

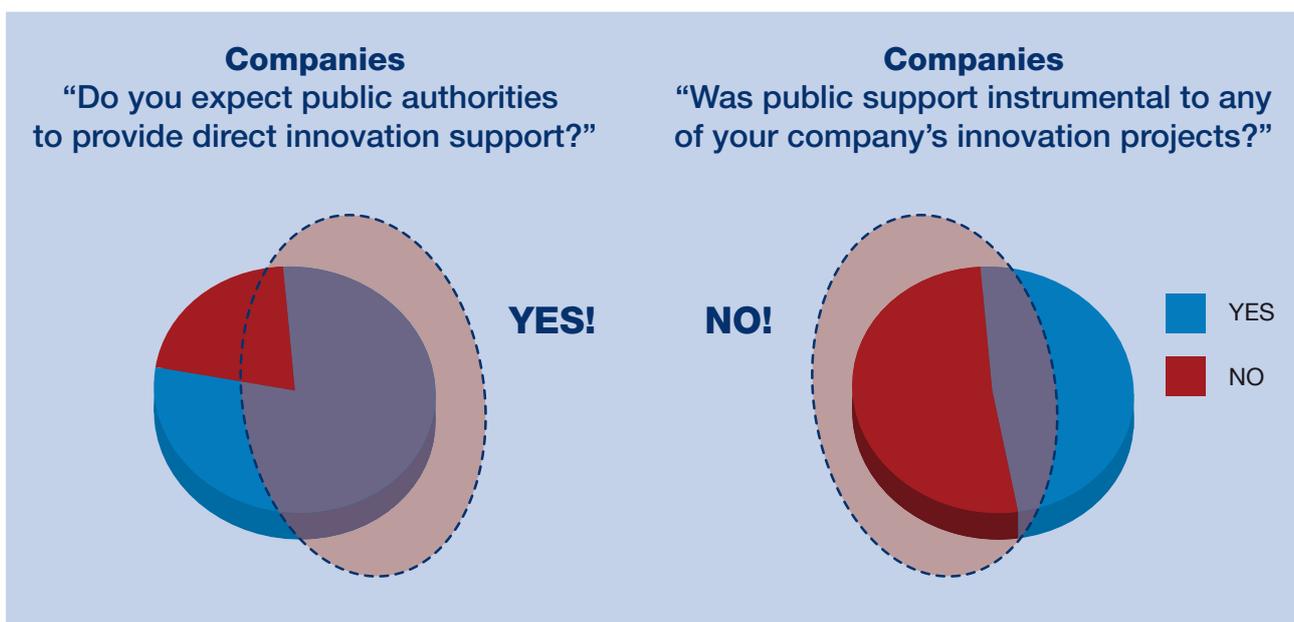
Innovation capacity of SMEs presents many new challenges but also opportunities for regional policymakers. In this context, the interregional cooperation programme, INTERREG IVC, has recently published the results of an important policy analysis, one in a series of 12, each focusing on a different policy theme. This brochure offers just a brief preview of what you can find in the report on the ‘Innovation capacity of SMEs’, which details a raft of tried-and-tested good practices and offers evidence-based policy recommendations.

Innovation policy and SMEs: what businesses think

“Enterprises expect better innovation support from public intervention”. This was the conclusion of a large-scale survey by PRO INNO Europe on the effectiveness of SME innovation support in the EU, the results of which revealed that European businesses see public innovation support – at EU, national and regional level – as helpful, but not determinant for their innovation strategy (see Fig. 1).

Such a conclusion is a wake-up call for improving the quality of innovation policies to ensure that they are better aligned with the innovation needs of businesses and of SMEs in particular.

Figure 1: The “efficiency” problem





The innovation capacity of SMEs: challenges at regional level

The innovation capacity of SMEs is crucial for Europe's competitiveness and growth. For instance, smaller companies often exploit technological niches or commercial opportunities that are neglected by more established firms, and take them to market. SME innovation is therefore at the top of regional, national, and European innovation policy agendas.

Yet, the context is a difficult one. OECD figures for 2012 indicate that the economic crisis has been detrimental to innovation worldwide. In Europe, the Innovation Union Scoreboard (IUS, 2012) notes that, while overall (using 25 indicators), the last 5 years have seen a generally positive innovation trend, performance has worsened, in some cases sharply, for seven indicators that are important for SMEs (namely 'Firm investments'; 'Innovators'; Non-R&D innovation expenditure'; 'Venture capital'; 'SMEs innovating in-house'; 'SMEs with product or process innovations' and 'Sales of new to market and new to firm innovations').

In short, European SMEs are innovating less – especially in non-technological areas where they are more active – and have less capital to do so. In response, regional, national and European policymakers are working hard to identify the barriers to innovation and remedy them through policy.

The INTERREG IVC capitalisation initiative is part of this policy development effort. As part of the research for the full report a literature review was conducted to pinpoint the barriers that SMEs and regional or local policymakers are in a position to tackle (excluding innovation system level barriers, which are explored in the innovation systems capitalisation report). In brief, the report identifies the following five key barriers:

- Lack of own financial resources for innovation and difficulty in accessing financing/funding for innovation projects
- Shortages in managerial skills for innovation, intellectual property and knowledge processes
- Insufficient use of public procurement and public markets by SMEs, which also lack the information and skills they need to access international markets
- Lack of internal research and technological capabilities
- Weaknesses in networking and cooperation with the innovation stakeholders





Meeting the challenges: good practices from INTERREG IVC

The capitalisation study shows that seven INTERREG IVC projects, which included a total of 93 measures (sub-projects, good practices or other initiatives), were directly aimed at addressing these barriers. Within these projects, each of the 5 main barriers to innovation listed above was covered by a minimum of 9 good practices, and each of these good practices provides a pre-validated solution to a tangible problem, ready to be taken up by another region. The study also reviews the SME support measures identified by the INTERREG IVC projects, which offer a portfolio of support options. These include:

- *Funding for innovation:* Voucher schemes, bank loans covered by regional authorities and regional venture capital funds.
- *Shortage of skills to manage innovation:* Good practices for addressing innovation management skills, approaches to creativity & product conception, specific technological capabilities, and specific skills for SMEs such as design or ICT.
- *Marketing of innovation:* INTERREG IVC projects have screened several good practices to help SMEs 'go global'; fostering participation in public procurement; enhancing digital marketing; developing or improving a Corporate Social Responsibility image.

- *Lack of research capabilities:* Exploiting technology transfer opportunities, which allow SMEs to acquire pre-commercial research results from higher education & research organisations and to support development work and subsequent commercialisation; supporting the development of in-house research capacity, in particular through hiring qualified research staff.
- *Weaknesses in networking and cooperation:* Cluster policies have been used to achieve more structured forms of cooperation, often including creating or appointing a body to manage the cluster, or, for more informal forms of cooperation, business networks have been set up and run.

The following table presents an overview of the good practices and policy measures identified by INTERREG IVC projects designed to tackle the innovation barriers faced by SMEs in Europe.





Table 1: Good Practices and Policy Measures identified by INTERREG IVC projects

Barriers to Innovation Capacity of SMEs	INTERREG IVC projects	Highlighted Good Practices/ Sub-projects	Description	Relevance*
Lack of Financial Resources	MINI-EUROPE	Innovouchers	Small scale (up to 25K€) for provision of external technical services by SMEs	Very high
	DISTRICT+	Mercia Fund Mgmt	Venture Capital fund supporting feasibility studies, early stage and 2 nd round investments	High
	INNOHUBS	Rosio	Advice centre on use of national public grants	Medium
	ERIK ACTION	FAME	Bank loans for innovation projects in SMEs ensured by guarantees from regional authorities.	High
Shortage in skills	INNOBOT	Organisational Innovation	Tailored workshops and coaching by external experts in organisation models	Very high
	INNOBOT	Mindshake	Coaching in creative product development	High
	MINI-EUROPE / PERIA	Summer Design Office/ New Products by Design	Promotion of cooperation between design students and SMEs.	Very high
	ERIK ACTION	PRAI/VINCI	Support for the setting up of Virtual Enterprises based on ICT models	High
Insufficient marketing of innovation	PERIA	Foreign Trade Fairs / International Cooperation Visits	Support for participation of SMEs in foreign fairs and organisation of entrepreneurial missions abroad.	Very high
	INNOBOT and ERIK ACTION	Fabrica Ethica	Support for Corporate Social Responsibility in SMEs as a marketing of innovation tool.	Medium
	SMART+	IART Territories	Assisting micro-firms from the tourism sector with the development of websites for international sales.	High
	INNOHUBS	SIAI	Local advice and service centre for SMEs	Medium
	INNOBOT	IVEX	Support for participation in international procurement processes from multilateral organisations.	Medium
Lack of internal research capabilities	ERIK ACTION	TT Andalusia	Network of regional technology transfer organisations	Medium
	PERIA	Creation of R&D units	Support in the hiring of research staff by SMEs	High
Weaknesses in networking and cooperation	SMART+	SMEsGoNet	Cluster management activities in support of internationalisation and R&D cooperation	Medium
	ERIK ACTION	RDT Bretagne	Network of intermediate agents to support innovation in SMEs	High

*In terms of replication potential towards other regions

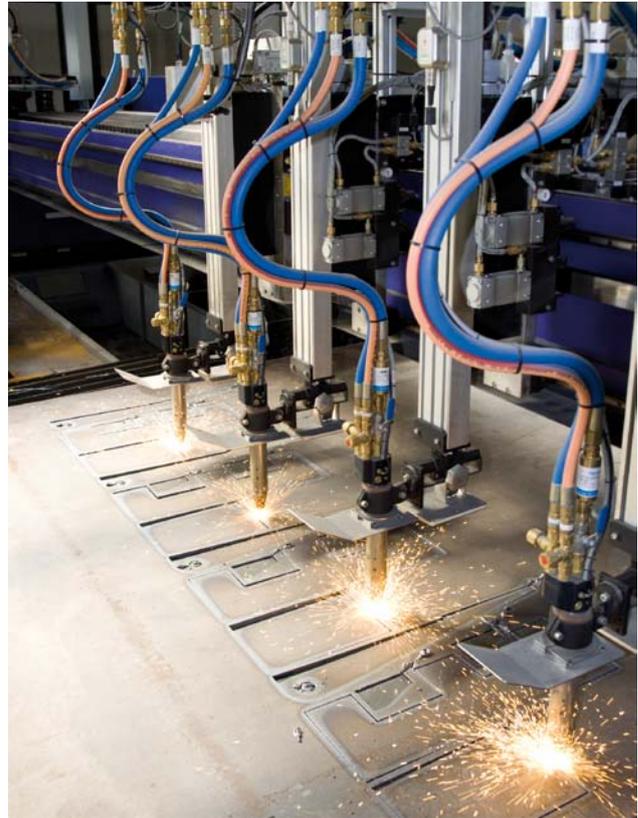


Discover more about policies to boost SME innovation capacity

The report 'Innovation Capacity of SMEs' has been produced with regional policymakers in mind. It provides an insightful review of the best innovation policy practices that have already been or are now being shared and transferred within European regions. The report:

- reviews the European policy context and funding instruments in the field of SME innovation support
- identifies the barriers to innovation faced by firms
- analyses seven INTERREG IVC projects and summarises the good practices they have identified
- offers key policy messages and detailed recommendations with a double focus on the policy measures themselves and on the process of policy learning in this relatively new field

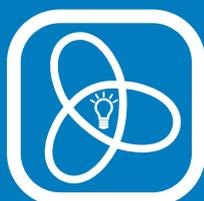
Against the backdrop of a new programming round starting in 2014, the INTERREG IVC capitalisation report 'Innovation Capacity of SMEs' provides a timely inventory of policy options that can serve as inspiration for European, national or regional programmes in this area.



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Download the full report from: www.interreg4c.eu/capitalisation

INTERREG IVC Thematic Capitalisation



Innovation systems



Innovation capacity of SMEs



Eco-innovation



Creative industries



Entrepreneurship



E-government services



Demographic change



Rural development



Climate change



Energy efficiency



Renewable energy



Sustainable transport

Over the last seven years the INTERREG IVC programme has been enabling public institutions all over Europe – over 2000 in total – to ‘learn through cooperation’ across 204 different interregional projects aimed at improving regional policies.

In June 2012, the programme commissioned a team of thematic experts to analyse, benchmark, and capitalise on the wealth of knowledge generated by projects working on similar regional development issues. Altogether, 12 policy themes, ranging from innovation to the environment, have been covered. 12 reports are now available detailing the insights and lessons from this capitalisation process for the benefit of all regions across Europe.

In their presentation of the wide range of innovative good practices and policies improved by the projects, the reports offer a timely inventory of up-to-date evidence and experience to help regional authorities and interested stakeholders introduce or develop their regional policies. Policymakers and practitioners at all levels – regional, national and European – will find theme-specific recommendations tailored to them.

This brochure is a preview of the full-length report in the field of innovation capacity of SMEs.

The Interregional Cooperation Programme INTERREG IVC, financed by the European Union's Regional Development Fund, helps Regions of Europe work together to share experience and good practice in the areas of innovation, the knowledge economy, the environment and risk prevention. EUR 302 million was granted for project funding but, more than that, a wealth of knowledge and potential solutions are also on hand for regional policy makers.



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