



PRO INNO EUROPE[®]
**INNO
NETS**
INNO-Partnering Forum

Improving Innovation Support to SMEs

The Synthesis Report from INNO-Partnering Forum



European Commission
Enterprise and Industry





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1 Executive Summary

The INNO-Partnering Forum (IPF) is the outcome of a call from DG Enterprise and Industry within the PRO INNO Europe® initiative. The purpose of the call was to bring public actors responsible for innovation support together in order to foster transnational cooperation in the area of innovation support for SMEs as well as to establish an operational platform for mutual learning and collaboration.

The winning bid¹ was from a consortium of six leading European innovation agencies: Enterprise Ireland (IE), FFG (AU), NL Agency (NL), Tekes (FI), Technology Strategy Board (UK) and VINNOVA (SE). These agencies have had a strong interest in improving policy measures for innovative SMEs through collaborative efforts to develop, identify, assess and transfer good practices.

The objectives of the INNO-Partnering Forum (IPF) programme have been:

1. To identify, develop and exploit synergies between funding agencies in Europe, and to provide recommendations for these actions, including the establishment of a mutual learning platform.
2. Propose and test new approaches to innovation support. This objective has been linked to activities focused on assessing, identifying, transferring and exchanging good practices
3. Develop and explore new ways of service delivery by peer-reviewing and international benchmarking activities.
4. Accelerate the adoption of innovation policy mixes with proven efficiency and impact. This has been addressed by thematic network events, peer-reviews and twinning. An example of this is the pre-commercial procurement that in many countries is a new approach on demand side support which is very important for driving innovation led growth in a country.

IPF has had a number of important challenges as a starting point. Both European and member state innovation policies face similar challenges and to seek measures to act upon them. The challenges that the project has been focusing on, include the need to improve innovation support measures to SMEs and the need to improve the efficiency and effectiveness in providing public innovation support.

IPF has been working with identification and assessment of, and learning from, good practices. To facilitate the process, IPF has developed a

common framework that has served three main purposes; firstly, as a conceptual model that provides a cognitive framework and a basis for a common language and analysis. Secondly, as an ideal process – the methodological approach – of how good practises of innovation support to SMEs is assessed, analysed and transferred to a new policy context. Thirdly, the framework has been guidance to the different work packages and structuring the relation between the work packages.

The IPF has been organised in six work packages, each headed by one of the consortium members. VINNOVA has coordinated and managed the project. Five of these work packages have focused on identifying and developing better practices to support SMEs (the WP2, WP3 and WP5), or to identify and develop better practices that will improve the effectiveness of designing, implementing and assessing/evaluating public activities (WP4 and WP6). In WP2 and WP3, this also included the development of new tools (peer-review and twinning tools respectively). WP1 comprised tools, processes, methods and common tasks where the main results have been the common framework, the segmentation method, the meeting formats and synthesis of work package results.

From a synthesis perspective, IPF can be viewed as delivering three things:

- A learning platform that facilitates collaboration and learning among innovation support organisations based on good practices
- A tool-set supporting identification, assessment and transfer of good practices between innovation support organisations and policy contexts
- Recommendations on how innovation support to SMEs can be improved

The *learning platform* developed by IPF has been based on the assumption that learning requires a common language with which good practices can be discussed and exchanged among participants and it needs a *methodology* that guides users on how to analyse and transfer good practices between different policy contexts. Furthermore, the learning platform needs users (*"a community"*) that apply the language and the process. IPF has therefore invested in developing and applying different *meeting formats* that maximise exchange of ideas between participants and utilises group dynamics in an effective way,

¹) The proposal submitted by the consortium is denoted INNO-Partnering Forum, or in short IPF in the Synthesis Report

such as the creation of a council. Some of the more important conclusions are that “learning-by-doing” as a principle has been much appreciated and is strongly preferred to reading reports. The creation of a network is beneficial both for formal and informal connections, a challenge though is to keep interaction and learning processes active in between physical meetings. One observation is that IT tools not have been able to alleviate these problems.

IPF has developed a number of tools: the peer-review method has been used to identify, analyse and assess good practices used in policy measures or instruments. During the project, eleven innovation support programmes have been peer-reviewed using the IPF Peer-Review Method. A twinning method to redesign good practices from one policy context to another policy context has been used. The tool has been used to “transfer” SBIR as pre-commercial procurement. An organisational development framework, the EFQM Excellence Model, has been adapted to identify and assess good operational practices at innovation agencies. Guidelines for the design of service delivery systems, the Conceptual Framework and the Segmentation method have been initiated. The general experience of the tools is that they all serve their purposes and are useful for agencies for the learning and the transfer of practises. However, the tools have been best for identifying and analysing good practises, whereas the tools supporting the actual transfer and redevelopment of good practices into new policy contexts need further development. Examples of areas to improve include: analysis of contextual aspects that need complete redesign, guidelines for design of the service delivery system and better linkages to good practices in operational practices identified using e.g. EFQM.

IPF has explored measures for innovation support to SMEs in three major themes, i) how to support growth in SMEs through public initiatives, ii) how to stimulate demand of innovation, especially using procurement as a catalyst for innovation support and iii) how to improve the agencies’ and governments’ delivery of innovation support to SMEs.

This report presents a synthesis of the IPF experiences for these three themes. The theme of *how to support growth in SMEs through public initiatives* has shown that governments should not try to replace market actors, but rather foster better market players and market conditions. It

was also found that agencies should use systemic approaches and not focus on isolated measures or innovation support services. This report shows that agencies should not focus on only providing money in early stages, but that business coaching, training, recruitment support etc. is equally important. Moreover, agencies should evaluate companies’ entire business prospects rather than individual projects, and direct support flexibly to enhance the growth of the company. . Growth within international niches is also important in supporting company growth. Many of these lessons/practices were identified for example in the in peer-reviewing of the Irish programme for High-Potential Start-ups and the Finnish programmes for young innovative enterprises (VIGO-programme in connection with NIY-programme).

For the stimulation of demand of innovation - public organisations can play an important role as visionary risk-taking and demanding reference customers. By taking these roles, these organisations can stimulate innovation through innovative demand side measures, such as public procurement. An approach that has received much attention is the US SBIR programme and its successors in Europe and Asia. In IPF it has been observed that there needs to be a balance between EU, national and regional initiatives. Stimulation of demand is not only provided through public organisations. Demand from private organisations can also be stimulated through different governmental initiatives such as subsidies, tax redemption schemes and regulatory changes. Another important remark is that if SMEs are prioritised as a target group for innovation procurement schemes, then specific SME-friendly design solutions have to be included.

To improve the delivery of innovation support to SMEs – much focus lies on providing more specific and tailored support that is provided in a more timely fashion at lower costs and with lower administrative burden. For this agencies need to find a balance between small, simple and general measures addressing all potentially innovative SMEs (e.g innovation vouchers) on one hand, and highly specialised and individual measures addressing hi-growth SME (e.g the finnish programme Young Innovative Enterprises) on the other. Through an increased use of ICT-systems, governments can address both high volumes and individual SMEs more efficiently. By using ICT there are also increased possibilities

for monitoring, governance, assessments, control of projects (examples can be found in the USA, as described in section 5.6). Another finding is that innovation support has to take the heterogeneity of SMEs, in terms of characteristic, abilities and needs, into consideration. IPF has addressed this by developing a method for segmentation of the SME clients of an innovation agency.

The future IPF needs a central body that facilitates the process and that can align activities with the central purposes of the IPF. Furthermore, some of the activities, such as the EFQM, also need professional facilitation. One of the lessons learned from the project so far is that the IPF needs to improve its communication, something which could also be facilitated by a central body. However to what degree some of the services are carried out by a secretariat or if some services are carried out by partners, remains to be decided.

In addition, a decision for how such a secretariat should be set-up is also required.

A future IPF would benefit from a deeper involvement of more actors from different governance levels. An extension of IPF should focus on involving a wider representation of agencies from across Europe. These could include both regional and national actors. At the same time, with an increasingly regionalised and systemic view of innovation support, there is a growing overlap between for instance DG agendas and the need for a forum where national and regional agencies can meet with the different DGs to exchange knowledge and discuss possible benefits from collaboration and aligning of activities. Therefore, a future IPF could also cater to not only DG Enterprise and Industry, but also DG Research and DG Regio.

2 Introduction

2.1 Purpose of Synthesis report

The purpose of this report is to present the results of the project and to provide recommendations for future work. It presents:

- IPF as a learning platform that facilitates collaboration and learning among organisations providing innovation support services to SMEs.
- IPF as a provider of tools that facilitates on the one hand the identification, assessment and transfer of good practices between different policy contexts, and guides innovation agencies to improve effectiveness and efficiency on the other.
- IPF as a provider of recommendations that improves the quality and effectiveness of innovation support services to SMEs. IPF has focused on three themes: stimulate growth, stimulate demand of innovations and improve effectiveness and efficiency of innovation support service delivery.

2.2 Structure of this report

The report is structured in the following way: it begins with a chapter that provides the context of the project, presenting the background, purpose,

the common framework of the project and the organisation of the work.

This is followed by presenting the main lessons learned from the network/learning platform, the tools that have been used and from the analysis of the central policy themes. Thereafter follows the IPF recommendations with regard to how IPF could be organised in the future including proposed future activities.

In the appendices (only available in the web version – please look at www.vinnova.se) there is a presentation of the methodological approach that has governed the work processes. It presents the definitions of the model and the key processes involved in learning and transferring good practises of innovation agencies in supporting SMEs. It connects the different tools explored in this project to the different phases of a transfer process. There are also more in-depth presentations of the outcomes of the different work packages, with a description of experiences from the processes and recommendations, both with regard to the tools in themselves and with regard to what has been identified as strengths in the good practises analysed.

3 Context

3.1 Background

The IPF is the outcome of a call from DG Enterprise and Industry within the PRO INNO Europe® initiative. PRO INNO aims at innovation policy analysis and cooperation in Europe, with a view to learning from the best and contributing to the development of new and better innovation policies in Europe.

The purpose of the call was to bring together public actors responsible for innovation support in order to foster transnational cooperation on support for innovation in SMEs. The idea of the call was to establish an operational platform for mutual learning and exchange of experiences, with the objective to improve the overall quality and efficiency of public innovation support services in Europe. Furthermore, the call had the following intentions: identify the scope for better synergies between funding agencies; offer a platform where funding agencies can jointly develop new approaches to innovation support; facilitate the “twinning” between innovation agencies and innovation service providers from different participating countries (with the intention to accelerate the take-up of the most advanced innovation support mechanisms). Mutual learning should also include reflections on how to remove existing barriers for the use of “better practise” and how to adapt financial and budgetary rules to provide innovation support in a more tailored and customised manner, thus better addressing the needs of innovative SMEs across Europe.

The call’s ability to mobilise a sufficient number of innovation agencies and innovation service providers willing to share experience and to cooperate was foreseen as a key factor of success. To obtain the necessary engagement among innovation service providers, the response to the call had to offer clear added value to the potential participants. Therefore, it was decided that the platform was to be user-driven and committed to deliver tangible results. In order to obtain this result, DG Enterprise and Industry launched a call to mobilise those innovation agencies and innovation service providers that are strongest committed to work together.

The activities in the call were:

1. Set-up and coordinate a *reflection group* (mandatory). The lead beneficiary should establish a “reflection group”, bringing together about 30 high level representatives representing public authorities responsible for the development and management of innovation support services and/or cluster programmes at national and regional level with a focus on support to innovative SMEs. The group should stimulate mutual learning and cooperation between public innovation support service providers across Europe and prepare recommendations on how to provide innovation support services more efficiently.
2. Carry out *peer reviews* (mandatory) to search for better practices in providing innovation support services. The main objective of this task was to organise peer reviews through visiting programmes aimed at assessing current support mechanisms and searching for better practices in providing innovation support services to innovative SMEs.
3. Set-up a good practice exchange scheme between public innovation funding agencies based on a *twinning concept* (mandatory), by mobilising additional expertise assisting agencies to identify the transferability of good practice elements and the need to adapt the existing regulatory and framework conditions. It was proposed to initiate the twinning concept through an open call for expression of interest addressed to public innovation funding agencies indicating the specific scheme they wish to transfer.
4. Foster mutual learning by facilitating *staff exchanges* (optional) between public innovation funding agencies from different countries. Innovation support organisations with the intention to share new ideas, approaches and tools to improve the management of their activities were to be identified and invited to participate in staff exchange programmes. This activity was however never carried out during the IPF.
5. Contribute to the development of new and/or better quality management instruments (mandatory) supporting public innovation funding agencies to raise the quality and effectiveness of their services. These instruments did not only focus on service quality, but also on the means to achieve it. As it showed, the task could be implemented in a number of different ways. One was the identification of existing “best” quality management practices and instruments used in support of public innovation funding agencies another the development of new and/or better methods for quality improvement based on the

EFQM Excellence Model, with a possibility to establish a European quality standard for public innovation funding agencies with respect to their management and operations as well as the provision of services provided to SMEs.

3.2 What has been the purpose of the IPF project?

The winning bid for the call on the INNO-Partnering Forum (IPF) was from a consortium of six leading European innovation agencies: Enterprise Ireland (IE), FFG (AU), NL Agency (NL), Tekes (FI), Technology Strategy Board (UK) and VINNOVA (SE). These agencies have a profound experience base and track record in designing and delivering innovation policies, both from a national and an international perspective. Moreover, these agencies have a strong interest in identifying and developing new practises to improve support to innovative SMEs.

The rationale for innovation policy intervention has been moving away from market failures towards argument of systemic failures and a shift from linear models towards more systemic innovation policies. With this shift an increased emphasis on learning from trial and error has emerged. This shift has occurred due to the complexity and the difficulty in modelling innovation systems.

In addition, the design of innovation support needs an international dimension. National innovation agencies, operating within the boundaries of national or regional policy settings, provide schemes with a national or regional scope, often neglecting the fact that innovation processes are now both local and global. Due to globalisation, SMEs and agencies are increasingly intertwined with other global actors and it is necessary for all actors to take an international perspective to stay competitive.

Therefore there has been a keen interest from the innovation agencies to participate in the IPF, as a result of the need to learn from other agencies and to collaborate internationally.

The IPF was initiated with the objective to improve policy measures for innovative SMEs through collaborative efforts to identify, assess and transfer good practices into better practices. Another objective was to identify the implications from the implementation of practises and policies for multilevel governance and the potential implications for what could benefit from being addressed at the EU-level.

IPF's approach has been that of a policy incubator in the implementation of the European Innovation Plan – both in terms of challenges addressed and in the way implementation has been carried out.

The objectives of INNO Partnering Forum have been to:

1. Identify, develop and exploit synergies between funding agencies in Europe, and to provide recommendations for this, including the establishment of a mutual learning platform.
2. Propose and test new approaches to innovation support. This objective has been linked to activities focus on assessing, identifying, transferring and exchanging good practices.
3. Develop and explore new ways of service delivery by peer-reviewing and international benchlearning activities.
4. Accelerate the adoption of innovation policy mixes with proven efficiency and impact. This has been addressed by thematic network events, peer-reviews and twinning. An example of this is the pre-commercial procurement that is a new approach on demand side support in many countries. The pre-commercial procurement is very important for driving innovation-led growth in a country.

IPF is based on the identification of a number of important challenges that European innovation policy faces at different levels of governance and to provide policy recommendations to those actors that are able to act upon them. At the agency level, these were foremost challenges for (A) the support measures targeting innovative SMEs and for (B), the effectiveness in the design, implementation and delivery of the policy mixes to innovative SMEs. The challenges that the project focused on included:

- The need to improve measures to support innovation in SMEs in order to:
 - stimulate growth (SUP1)
 - foster internationalisation (SUP2)
 - make SMEs more attractive for private capital markets (SUP3)
 - make innovation processes of SMEs more effective (SUP4)
- The need to improve the efficiency and effectiveness in providing public innovation support in order to:
 - improve inter- and intra-organisational

- learning platforms for multilevel governance and policy support across Europe (EFF1)
- increase the leverage of public support with smarter, more efficient and effective innovation support (EFF2)
- improve the access to public support schemes for SMEs (EFF3)
- increase policy initiatives that stimulate the demand of innovation (EFF4)

3.3 Common Framework

IPF has focused on identifying and learning from good practices as well as developing new ones. In order to do this, IPF has started with the concept of a common framework. The Common Framework serves three main purposes; firstly, it is a conceptual model that provides a cognitive framework and a basis for a common language and analysis. Secondly, it illustrates an ideal process – the methodological approach - of how good practises of innovation support to SMEs is assessed, analysed and transferred to a new policy context. It also suggests which tools that can be appropriate in different parts of a transfer process. Thirdly, the framework has served as guidance to the different work packages, structuring the relation between them. These relations are illustrated in figure 1.

The conceptual model

The conceptual model facilitates analysis and common understanding of how innovation support measures are carried out in different contexts, and can give guidance on how to redesign them in other settings. It has provided a common cognitive framework and terminology that can be used to overcome differences in national institutional set-ups. The model is based on a view that the institutional set-up of countries differs, but that there are a number of functions of the systems that are common. However, one needs to analyse the differences in institutional contexts, to assess whether it is possible and how the transfer of good practise could be facilitated and implemented.

The conceptual model suggests that an analysis of a policy measure that provides innovation support to SMEs should cover four major areas of analysis:

- *Policy Objectives* – what has been the rationale of the policy measure and what are the intended outcomes
- *The Policy Mix* – consists of the selection of

policy actions, rules, framework conditions etc. that is turned into assignments for actors in the Policy Delivery System (PDS) or the establishment of new organisations and other structural changes in the Policy Delivery System.

- *The Policy Delivery System (PDS)* is the system put in place for the purpose of implementing a policy mix targeting a particular policy objective. The PDS consists of all institutions, processes, programmes, rules, etc. set up to deliver the policy mix targeting a specific objective. The PDS can be said to provide a top-down or a policy maker's view of the system put in place for policy implementation.
- *The Service Delivery System (SDS)* describes how an SME perceive the system that delivers the services to them from a bottom-up perspective. It includes the set of services (including funding) provided by organisations together with a set of rules that an SME has to adhere to in order to access and make use of those services.

The idea behind the model is that in order to transfer policy measures or practices one has to be able to analyse those parts of a PDS and/or SDS that are regarded as good practices and be able to de-contextualise them from the original PDS and SDS so that they can be redesigned in another policy context (country or region). The concept of a *good practice* is central and has been given a pragmatic and quite a broad definition – “... *an integrated set of one or more functions, processes and design aspects that together constitutes a critical success factor for a given PDS or an SDS*”. Hence, good practices can cover a broad set of practices from “small” innovative properties in an SDS to broad implementation decisions/aspects of a PDS or an SDS. By this use of the concept of *good practices*, IPF found a pragmatic ground for learning and transfer of practices between cooperating agencies in Europe

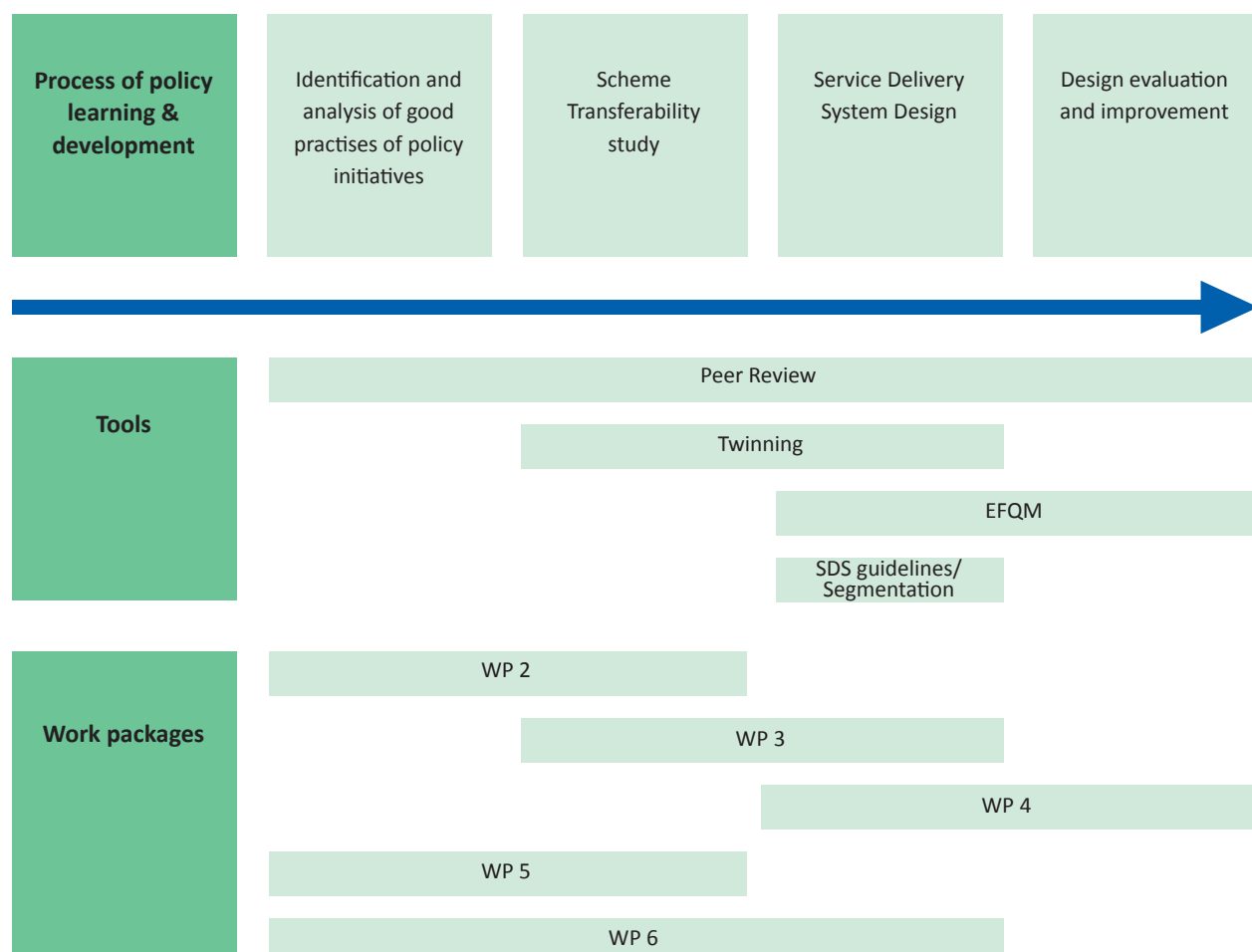
The methodological approach

The IPF has developed an integrated approach and process model for learning and transferring of good practises based on the common framework. The model describes how good practises of innovation support to SMEs are assessed, analysed and transferred to a new policy context. The model also suggests which tools that can be appropriate for which parts of a transfer process, see Figure 1.

The methodological approach consists of five steps, i) Process Initiation, how is the process of learning and transferring initiated, e.g. through an analysis of internal needs, an assignment from a ministry, etc.; ii) Identification and Analysis of Good Practises, in order to understand its context in terms of the PDS and SDS and to understand its characteristics and implementation; iii) Scheme Transferability Study - to analyse and separate the non-contextual and contextual issues regarding the design and implementation of the good practice; it also involves analysis of the success factors of the good practice and their implementation. The Scheme Transferability

Study structures the findings into a comprehensive synthesis that lists a number of options for how to design, modify and adapt the good practice into a new policy context; iv) Service Delivery System Design - involves a practical design exercise to “move” the good practice into a new context, that is, designing and implementing the practise in a new PDS and SDS; and v) Design Evaluation and Improvement, is the final step where the process is refined, through the support of a Peer Review or EFQM. Finally, the common framework has been a way to structure the relation between the work packages of the IPF and the organisation of the work.

Figure 1: Scheme for Methodological Approach



3.4 How has the IPF project been organised?

The IPF has been organised in six work packages, each headed by one of the consortium members. VINNOVA has coordinated and managed the project.

The implementation of IPF has been based on intensive co-operation among participants, where openness and inclusiveness have been crucial for the successful implementation. The work has been conducted with an approach to facilitate and maximise networking and exchange of experiences, encouraging all participants to reflect and contribute to the work and to incorporate positive group dynamics in to the processes.

All groups have worked with the challenges listed in section 3.2 and addressed these in different ways, both with differences in the use of tools and with different focus with regard to the learning and transfer process, as illustrated in Figure 1.

Five of these work packages have focused on the identification and development of better practices to support SMEs (the WP2, WP3 and WP5), or to identify and develop better practices with the intention to improve the effectiveness of designing, implementing and assessing/evaluating public activities (WP4 and WP6). In WP2 and WP3, this has also included the development of new tools (peer-review and twinning tools respectively). WP1 has comprised tools, processes, methods and common tasks where the main results have been the common framework, the segmentation method, the meeting formats and the synthesis of the results of the work package. The common framework and the segmentation method are presented in the Appendices (chapters 5.1 and 5.7). The results of each of the other work packages with regards to the tool and their findings about good practices are presented in the chapters 5.2-5.6.

1. Work package 1 has allocated responsibilities with regard to the management of the INNO Partnering Forum Council and included the synthesis of the project results.

2. Work package 2 included peer reviews of European agencies and programmes in order to identify and to analyse good practises of measures with the purpose to support innovation in SMEs.
3. Work package 3 included twinning, i.e. working with transferring good practices from one policy context to another policy context (e.g. comprising analysis of transferability and recommendations for design options of good practises).
4. Work package 4 included evaluating, testing and elaborating new quality management systems that have the purpose to improve efficiency and effectiveness of innovation agencies and programmes.
5. Work package 5 included peer reviews of good practices at innovation agencies outside of Europe.
6. Work package 6 included improving delivery of innovation support services to SMEs.

The consortium has held regular meetings, working actively in different work packages and also used IT-tools such as LinkedIn (www.linkedin.com) and Projectplace (www.projectplace.com) in order to facilitate collaboration.

The European Commission has been an active partner of the consortium and has had a strong interest to establish a platform *to improve the quality, efficiency and effectiveness of SME innovation support in Europe through mutual learning between agencies*. The Commission has also been interested in establishing a forum for a better dialogue with national and regional SME support organisations.

The project has established a council, a network of 23 high-level persons from regional and national innovation agencies, highly experienced in providing R&D&I support to SMEs (for members, see Chapter 5.8). This group has acted as a sounding board, reflection group and as a part of the learning platform. The IPF has arranged two council meetings per year where the group has exchanged experiences, presented and discussed new developments.

4 Summary of the findings from IPF

The focus of IPF has been to identify, analyse and transfer good practises. By doing this, the three other objectives have also been addressed (i.e. accelerate take up, test new ways of service delivery and test new approaches to innovation support). The key components for this approach have been the common framework, the network (council and consortium), the different tools of the tool box and the IT-platform.

The findings of the IPF are here summarised in three sections, the first on the learning platform as such, the second on the tool set used to support transfer of good practises and, third on the recommendations on how innovation support services can be improved in Europe within the three themes selected.

4.1 Learning platform

The learning platform developed by IPF has been based on the following approach:

- Learning requires a *common language* by which identification, assessment and transfer of good practices can be discussed and exchanged among participants. Hence, a common conceptual model adapted to the task of IPF was developed, introduced and used by all participants of the IPF.
- A learning platform also needs a *methodology or work processes* that guides users on how the language should be applied when analysing and transferring good practices between different policy contexts. Hence, the common conceptual model (“the common language”) was complemented by a process which guides the analysis of transferability and the design of good practices in new policy contexts. The process uses the conceptual model as a framework for its structure and activities.
- A learning platform needs *users (“a community”)* that applies the language and process. Thus, IPF extended the consortium with an open Council of practitioners that formed a community interested in applying the common framework (the conceptual model and the process described above). IPF has also invited experts from European innovation support agencies to participate in peer-review panels and as hosts for peer-reviews. This has extended the community of users beyond the consortium and the Council.
- Learning happens in the interaction and meeting between people. IPF has therefore

invested in developing and applying different *meeting formats* that maximise exchange of ideas between participants and utilises group dynamics in an optimal way. IPF has also tried to utilise *IT-tools* (Project Place and LinkedIn) in order to extend meeting formats and facilitate communication and networking beyond physical meetings.

Some of the more important conclusions and lessons learned using this approach have been the following:

- The learning platform has used “learning-by-doing” as a principle which has been preferred to reading reports. This approach is different to that of many other projects where reports are used to a greater extent.
- The learning platform has raised the awareness and knowledge of how transferability can be supported and the challenges and limitations surrounding this topic.
- The work processes have also been positive in generating new networks and broadened the existing ones between the leading agencies, both formally and informally.
- The main obstacles of the platform have been associated with keeping the interaction and learning processes alive in between the physical meetings. The IT tools have not alleviated these problems: The lesson learned is that IT tools need active promotion and support at participants’ sites, at least as long they are not an integrated part of the normal operations of participants.
- IPF used open calls in order to establish the Council and to attract reviewers/experts. The open calls were also used to get support schemes submitted. Support schemes that were subject to be analysed and potentially transferred to other support organisations. Other forms of attraction should perhaps be considered in the future in order to improve both reach in terms of candidates and adequacy of submitted applications.
- A learning platform like the one used in the IPF needs maintenance and management through a “secretariat” or organisational body that arranges and chairs meetings. Such a “secretariat” would also conduct reviews, task forces and facilitate social networks etc. Without this “champion” organisation, any effort will not be sustainable.

4.2 Tool set

In order to support the methodology and process adopted by IPF, a set of tools have been developed and adapted. These include:

- A peer-review method used to identify, analyse and assess good practices used in policy measures or instruments. This has mainly been used in Work package 2 focused on reviewing policy instruments, but also in Work package 5 and 6.
- A twinning method used to redesign good practices from one policy context to another policy context. This tool has mainly been used in Work package 3, focused on transfer of good practices between policy contexts.
- EFQM has been adopted to identify and assess good operational practices at innovation agencies, mainly used in Work package 4 on efficiency and effectiveness in agency operations.
- Guidelines for design of service delivery systems, mainly done in Work package 6 on service delivery systems.
- The Conceptual Framework and the Segmentation method developed in Work package 1 can also be regarded as part of the IPFtool set.

With regards to the tools, the general experience is that all of them are appropriate and useful for agencies (for more extensive descriptions of the tools can be found in the Appendices (in the electronic version) of this report) for learning and transferring of practises.

The key processes identifying, analysing and disseminating good practice schemes have been successful, where the best results have been obtained in the work with identification and analysis of good practises. However, assessment and description of transferability need further development. The main lessons learned regarding the use of the IPF tool set are:

Peer-review

- In summary the peer review is a format and template driven process that works well. The questionnaires, templates and other documents that supports the peer review have been very useful, both before (preparing for the meeting and enabled the team members to streamline some of the questions) and after the review (supporting the editing process of the review report).

- Peer reviews have been beneficial for identifying good practises and it seems like it has been easier for the group to engage in identification and analysis than in transfer and implementation.
- Peer review processes have been positive both for the ones observing others and their good practises, as well for the ones being reviewed. The work package has established a model for the conduct of peer reviews.
- However, there are areas for improvement, such as how to elaborate on transferability and there is a need for a more systemic interview technique (e.g. using the EFQM RADAR-approach).
- Peer reviews outside of Europe are more challenging due to language issues, incentives and shorter time frames for reviews. It has been found to be advantageous to use formal channels like an embassy to communicate with host agencies, when arranging with these types of peer reviews.

Twinning

- Twinning has been successful and three out of four of the countries that were actively involved in the twinning process have implemented some version of pre-commercial procurement.
- One of the advantages with the twinning approach is that it can transfer tacit knowledge of host agencies, as they are being involved in the process.
- Peer-reviews cannot completely analyse transferability and hand over design recommendations; instead, the design recommendations have to be developed as a co-creation process at the beginning of the twinning exercise between those implementing the good practices and those providing the good practices. Hence, there is a need of matching competence between participants so that those “importing” the good practices can understand and contribute to the co-creation process – a pure “student-teacher”-relationship is not recommended since copycat-strategies do not work when transferring good practices.
- In the future one should perhaps work more with *Twinning advanced*, involving learning between experienced actors. Twinning advanced can also involve a less advanced actor that participates in the process and learn from the exchange between the more advanced participants.

- One important deliverable of the twinning process is the *Design options paper*. It acknowledges that re-design of good practices is not a copy-exercise – it involves design choices that reflect differences in institutional settings, in policy objectives, in implementation preferences etc. The design options paper collects and illustrates these options based on current practices and experiences.

EFQM

The objective for using EFQM was twofold : (i) to promote the use of the model in order to improve agency operations (ii) to use EFQM as an assessment tool for identifying and assessing good operational practices at organisations providing innovation support services. The use of EFQM has however been limited, especially as an assessment tool. Nevertheless, IPF has had the following experiences using EFQM:

- EFQM seems to be a very effective tool and method to introduce operational learning among agencies and as a tool to constantly improve operations.
- The pilot exercise used to identify good operational practices also seems promising.
- The biggest hurdle in adopting EFQM is that the start-up cost in terms of time, competence and resource needs and cost. One has to introduce “light-versions” or stepwise use of the model in order to overcome that.
- The EFQM model can be used for individual agencies, or a group of agencies, forming a learning platform or user group. With the EFQM model, organisations may exchange data on performance or improve their internal processes. It may however be easier to implement the model for a programme or a subset of an agency’s operations.
- The work package has developed tools and guidelines so that other agencies can start implementing the EFQM model by themselves. At the same time the experience of the work package is that it is beneficial to work with other agencies in the process and that it would be very beneficial with a more professional hosting organisation, that it is knowledgeable about the tool and that can assist an agency or a group of agencies in utilising the tool.

Guidelines for design of service delivery systems **The Conceptual Framework**

- There is a need for a “common language and methodology” for projects or operations like IPF. The conceptual model provided by IPF seems to comprise the concepts needed to describe and analyse innovation support measures. However, it has not been tested as a design tool and it is unclear if it fulfils the requirements of a design tool.
- There are some areas that remain to be further developed. One such area is how to analyse the Policy Delivery systems, where the concept is still underdeveloped and there can be great differences between countries and their institutional contexts.
- The common framework has been positive for creating a common language and for facilitating understanding, but there is a need to make the common framework more accessible.
- Training activities would be needed if the framework is to be spread and become used outside the inner circle of users.

4.3 Recommendations on innovation support to SMEs

The IPF has focused its activities on three major themes, i) how to support growth in SMEs through public initiatives, ii) how to stimulate demand of innovation, especially using procurement as an vehicle for innovation support and iii) how to improve the agencies and governments delivery of innovation support to SMEs.

The initial idea was to provide policy recommendations based on lessons learned. Some policy papers have been published but the main needs and outcome of IPF have been related to practical guidelines for better innovation support measures at the agency level. A set of such recommendations is presented below for each of the three themes:

How to support growth in SMEs through public initiatives

One of the challenges identified in the IPF proposal was the fact that too few of the European innovative SMEs grow into large companies. Access to capital, costly patenting, market fragmentation, outdated regulations and procedures, slow standard-setting and the failure to use public procurement strategically are all weaknesses that prevent good ideas from successfully reaching the market. Moreover, fragmentation can also be found in governmental support – EU, national and regional support systems are not aligned in a

satisfactory manner, something which results in overlaps and/or duplicated measures.

Growth support is usually addressed by specific and isolated policy measures; however, IPF believes that growth in SMEs requires a coherent policy mix that simultaneously addresses a series of issues:

- Framework conditions to remove fragmentation and investment barriers across Europe and to support the business driven management and utilisation of intellectual property rights in companies easier and less costly.
- Framework conditions to stimulate experienced entrepreneurs to invest not only money but also their skills and time in the operations of SMEs. Incentives to attract relevant business competence to new and early stage ventures are often a prerequisite to mobilise sufficient private growth capital to the company.
- SME adapted innovation contexts. SMEs need better linkages to innovation enabling contexts:
 - Access to research institutions: We need better linkages between business and research, not only through R&D cooperation but also through initiatives to stimulate entrepreneurs and business people to become inspired by R&D results (to contrast the view that R&D results are the basis for new innovations and should be “transferred” to industry).
 - Access to innovation clusters and networks: By being linked to business -and innovation networks and clusters SMEs can develop their own businesses in collaboration and competition with other firms in the cluster/ network.
- Improved performance of seed and early stage investments. To improve performance of seed and early-stage investment industry, we need to simultaneously address:
 - Investment readiness in potential innovative and growth SMEs. This is an area where government initiatives are needed since Europe does not have the capital structure of the US where private money is much larger than the Venture Capital industry. This is also linked with the framework conditions and initiatives attracting serial entrepreneurs and relevant business competences to invest their time and skills in early stage SMEs.
 - Stimulate the availability of excellent fund managers in early stages of company growth. Knowledge and technology intensive companies need investors with a deep understanding of both the business and technology opportunities and obstacles. This understanding may be acquired through entrepreneurial and early stage investment experience and needs its own policy measures.
- Stimulate and create conditions for larger seed funds. Seed funds make money on follow-up investments, not on entry investment. This requires a solid capital foundation to work from and such funds must be able to commit themselves to companies with a high growth potential.
- Improved access to growth capital. Stimulate and create conditions for different kind of growth capital, not only equity based investment but also loans, guarantees etc. adapted to companies having predominantly intangible assets.
- Demand driven support measures to stimulate the use and demand for innovations. In many cases, measures driving the markets for innovation are, even more important for the growth of the economy than stimulation of the production of innovations. This covers e.g. procurement initiatives to bring innovation into use, tax incentives framework conditions to stimulate deployment and usage of innovations, etc.
- Embrace a broader concept of innovation that also addresses non-technological innovation opportunities that create new business and customer value for companies.

Moreover, IPF has through its peer-review exercises concluded on the following guidelines for growth support to SMEs. Besides the experiences reported by the members of the Consortium and Council, the main sources have been the peer-reviews of the Irish initiative for High-Potential Startups, the Scottish Proof of Concept programme, the Finnish VIGO- and Young Innovative Enterprise-programme and the French Venture Capital Guarantee programme:

- Do not replace market actors, but try to foster better market players and market conditions.
- Do not only focus on providing money in early stages of company or innovation development
 - soft support in terms of business coaching, training, recruitment support etc. is often more important
- Evaluate companies, their management

and market context first – i.e. their business prospects – then their request for project funding.

- Apply milestone based funding – i.e. fund in stages based on business performance.
- Focus EU funding on topping-up or co-funding national SME innovation support mechanisms which provide an added European value.
- Apply systemic approaches – do not focus on isolated measures or support services.
- Growth means internationalisation, both in market reach and competitive strength. Hence, internationalisation must be integrated in all aspects of innovation support that addresses growth.
- Adequate supply of capital and competences are crucial for growth in SMEs. Measures addressing information symmetries and risk assessment tools and systems are examples of government initiatives that can stimulate private initiatives.
- If certification schemes are implemented, it should be aware of and not prevent newcomers from entering markets.
- Innovation management is an area that is identified as important. There is a need for SMEs to work with innovation management and not only in R&D and product development. This involves broadening the innovation concept to e.g. partnership innovations, business models, marketing and sales innovations etc.; improving the ability to run innovation processes in new ways e.g. through open innovation methods and foster a new leadership, culture and management that supports excellence in innovation performance.

How to stimulate demand of innovation

Public organisations can play an important role as visionary risk-taking and demanding reference customers and stimulate innovation through innovative demand side measures, such as public procurement.

There are some general lessons learned from studying SBIR-like efforts in Europe, the USA and Asia. From these experiences it has been identified that countries should review procurements rules. Innovation procurement is not based on product or service specifications, it is a co-creation process between supplier and customer. This creates in many cases problems with current procurement cultures and rules. Furthermore, procurers should be encouraged to express need-driven challenges, rather than products or services which they are

currently used to and guided to, as this allows for new and more innovative solutions, as well as new providers of services entering the market.

There should be a balance between the EU, national and regional initiatives. Procurement is driven by the buyer – hence it is local and EU or national innovation procurement initiatives should be focused on the following:

- Facilitate and stimulate innovation procurement through both funding and non-funding support that reduces risks and improves innovation management skills.
- Complement procurement processes with funding support that accelerates the scaling and take up of the innovation procured to additional customers and markets.

Experiences from Asia and US show that in order to stimulate demand of innovation in public organisations, governments can require public agencies and organisations to identify potential innovation procurement opportunities and demands, and allocate budgets for their procurement. Another approach is the “US Challenge.gov”, which stimulates public organisations to post their challenges on to a website that facilitates crowd sourcing of solutions. “Challenge.gov” encourages people to come with innovative solutions for societal challenges. This site gathers and brings forward challenges that different government agencies have in one place. Through this site it has been possible to reach a broader audience as compared to their normal speaking partners. This has resulted in new ideas and actors coming in touch with the government.

To stimulate demand on innovation is broader than public procurement and can through different means also influence demand from private organisations, e.g. public agencies can facilitate innovation procurement in private organisations by e.g. gathering buyer organisations to commit to buy certain offering if they can meet certain performance criteria (“catalytic innovation procurement”). Sweden has used this successfully in the energy sector. Another approach is to introduce regulatory changes that drive innovation and the use of new technologies, like the Swedish regulatory changes that allowed employers to provide their employees with cheap PCs which in turn drove demand of broadband and Internet services. Another approach has been developed in

South Korea where subsidies for large companies to buy new innovative products/services from SMEs are provided.

Another important remark is that SMEs should be addressed specifically in innovation procurement. Procurement processes should be simplified to become SME-friendly e.g. contracts are non-negotiable, phases are initially short with small budgets etc. that fit SMEs rather than large companies used to manage and negotiate large contracts.

How to improve the delivery of innovation support to SMEs

SMEs act in a highly competitive context and in order to be able to benefit from government support this context needs to be recognised and met by the government support. Therefore, support should be provided with low administrative burden, efficient handling of tenders and applications and satisfying terms of payment.

Agencies need to find a proper balance between small, simple and general measures addressing basically all potentially innovative SMEs including measures such as e.g. innovation vouchers, individual measures addressing high-growth SMEs with specific and timely services. Governments can more efficiently address both high volumes and individual SMEs and they can manage the interplay between EU, national and regional levels more efficiently by an increased use of ICT-systems for management of applications and projects.

Some general guidelines identified by IPF for service delivery systems are:

- Application procedures should be simple and fast. Studies of needs of SMEs show that they need funding without undue delays (e.g. waiting for a specific competition). They also need timely and personalised information on funding opportunities and easy access to advice as well as tailored support.
 - An ideal service delivery mechanism seems to be a true 'one stop shop' where client companies receive support in one location with one agency, with minimal cost and effort to the business. Agencies need to rather find proper trade-offs between two main ways of achieving best practice innovation support: i) A real human advisor mentoring approach, with knowledge and contacts at an expert advisor's fingertips, and ii) a computer or web interface, linking sites, searches and application forms together.
- Mentoring type service delivery and on-line service delivery systems each have their own advantages, disadvantages and transferability criteria (see next bullets).
- Human interfaces are expensive and time-consuming, as well as connected with a potential risk (they are vulnerable to loss of staff and knowledge and quality is often based on the quality of individual advisers). However, personal meetings are highly valued by their clients. It seems that human interfaces may be the most efficient way of delivering innovation support in the following circumstances – when...:
 - Programmes offered go beyond simple project funds.
 - Majority of companies are isolated (either intellectually or geographically).
 - Companies are relatively unsophisticated and require help beyond simple funding.
 - Broadband coverage is limited, precluding the use of data-heavy websites.
 - Limited numbers of sectors or limited number of companies are to be helped.
 - Computer or web interfaces on the other hand are relatively cheap to run but still need staff to update links and cooperate with other funding agencies. The codification of human knowledge into such an intelligent search system automates human skills and expertise, leading to efficiency savings and increased consistency but a side effect is the loss of ability of the human expert to innovate and to adapt to new circumstances or to react to feelings and nuances. The effect of the loss of personal contact should also not be underestimated. Computer or web interfaces are suited in the following circumstances – when...:
 - Clients are computer and internet savvy.
 - Access to broadband services are widespread.
 - Clients that are more sophisticated require funding and limited advice rather than handholding, in depth reviews and advice on improving performance.
 - Client base consists of a large number of industry sectors and large numbers of prospective client companies.
 - Another approach is segmentation, which divides an agency's client base of SMEs into groups that have similar characteristics from an innovation support perspective and hence better estimate and meet the SMEs' needs.

Segmentation also offers opportunities for agencies to improve their dialogue with policy makers and other stakeholders since it highlights the different innovation support needs of SMEs in a clearer way than when treating SMEs as one homogeneous group characterised only by its size.

There are also increased possibilities for improving the monitoring, governance, assessment and control of projects through ICT by e.g.:

- Allowing companies receiving support to continuously report feedback on progress, on outcomes and effects, etc.
- Increasing the use of E-submissions to improve quality and efficiency of handling. The Korean online R&D management system, which is used for managing Korean SMEs' applications, submissions and payment of project funds, is one such example.

SMEs are highly heterogeneous; hence individual needs have to be considered when approaching SMEs. When providing innovation support, public agencies should focus on becoming value adding partners, offering smarter, more efficient and more effective innovation support. Agencies should assist the SMEs with their businesses and strategies rather than on supporting individual projects. For this purpose the business canvas could be useful.²

The policy landscape of Europe is becoming increasingly complex with a growing number of actors providing support to SMEs. One of the findings and tools of the IPF has been segmentation and the need to align efforts geared towards specific target groups. An interesting example is the Enterprise One scheme run by SPRING Singapore that gathers support on a web and provides some free counselling. SPRING could be a source of inspiration. Another possible path is to develop a comprehensive map of European innovation support, describing what is being done by public innovation support organisations at different levels. This could be the basis for streamlining and aligning schemes.

There is a danger that national and regional agencies become near sighted and focus on regional capabilities rather than to develop the global linkages. These global linkages are of crucial importance for the whole business community, for large companies and SMEs as well as for researchers. EU can support that such global

linkages become truly European or international hubs.

4.4 Proposed Future

Among the participants of the IPF there is a common understanding that it has been a very positive project, as it has provided opportunities for learning, both in formal and in informal ways. Findings and lessons learned have had an impact on the participating innovation agencies. The adoption of pre-commercial procurement is one obvious example. Hence, there is a general agreement that the results of IPF should find a continuation, however perhaps in other forms than in IPF. Below, some of these ideas are presented.

The tools developed in IPF need to be maintained and improved. Initiating and performing peer-reviews, twinning's and EFQM-assessments do not happen automatically. Continuation of these activities will probably need a central body that facilitates the process and sees to that the needs and interests of the community of innovations agencies are addressed. Furthermore, some of the activities like the EFQM also need professional facilitation. However, to what degree some of the services are carried out by a secretariat, or if some services are carried out by partners or sub suppliers, remains to be decided.

The unique aspect of the IPF is the profile, the membership and the access to leading experts. IPF is a platform where meetings take place and where learning and knowledge exchange can occur both directly and indirectly. The platform also fosters informal networks that can be used in their circumstances. Therefore, it is important to have the leading innovation agencies on board. At the same time, an extension of IPF should focus on obtaining a better representation of agencies from across Europe. These can include regional and national actors.

With an increasingly regionalised and systemic view on innovation support, there is an increasing overlap between DG agendas and the need for a forum where national and regional agencies can meet with the different DGs to exchange knowledge and discuss possible benefits from collaboration and aligning activities.

The organisation of activities remains to be decided, both with regard to which activities to carry out, and who should participate and in which ways. There could be a differentiation in inner and outer circles, e.g. a consortium with central actors

² See Business Model Generation by Osterwalder & Pigneur (John Wiley & Sons, ISBN 978-0470-87641-1) for a description of the business model canvas 9(14)

that are involved in all processes and a council with more broad based membership. Another option is a task force based approach, where there is broad based membership, but actors can pick which work packages to be involved in. In this approach external experts can be included when needed. However, the ones that apply for participating in projects need to be committed to these processes.

Furthermore, when deciding which themes to explore this could either be decided by IPF, the Commission or through calls where applicants are provided with an initial period of time where they can decide which themes to explore. A range of possible future activities for IPF have been suggested and these include:

- Initiate and coordinate different tasks, projects and events.

- Function as a think tank that identifies, tests and prepares new directions within innovation support.
- Analyse different programmes and areas and provide policy recommendations.
- Provide education and courses and facilitate learning from peers.
- Develop and refine tools for learning, like Peer Reviews, EFQM and Twinning.
- Be a platform that offers the service to assist agencies in learning through utilising the tools.
- Host and manage a public online forum for discussions, like LinkedIn group Innovation Policy Forum.
- Work with capacity building in less developed countries and regions.

The remaining issues should be discussed and decided upon at a management group meeting.

The complete report including appendices can be found at www.vinnova.se

