

INTERREG IVC analysis report



Innovation capacity of SMEs

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Credits

Experts for thematic capitalisation on the innovation capacity of SMEs

Year 1

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Foreword: Capitalising on achievements

Over the last seven years, with the goal of improving regional policies, more than 2 000 public institutions across Europe have been learning from each other through cooperative policy learning in 204 interregional projects supported by the INTERREG IVC territorial cooperation programme.

The programme can now point to hundreds of examples of how a region or city has built on the experiences of their counterparts elsewhere to enhance their own policy and delivery strategies. A few examples:

- o inspired by the approaches taken by the Welsh ECO Centre and an Educational Centre in the Dutch city of Sittard-Geleen, the Hungarian city of Vecsés developed educational activities on renewable energy and sustainability for its school children.
- o after consulting the Spanish city of Paterna, the Latvian Daugavpils City Council was able to successfully modernise its soviet-era industrial parks, giving a major boost to business development.
- o after consulting the Cypriot authorities, the Greek Region of Crete invested in water recycling and re-use schemes, applying the Cypriot models.

The policy learning enabled by the INTERREG IVC Programme is not just a paper exercise: it has helped, through 204 projects, almost 6 000 staff involved in regional policy to acquire new skills and capabilities, and it has led directly to the improvement of more than 400 policies. The programme was therefore determined to go a step further and share its tremendous wealth of policy experience and know-how even more widely.

The programme therefore asked 12 teams of experts covering 12 different fields of policy to analyse the achievements of its projects and to report back on 'what works'. This report, which focuses on **Innovation capacity of SMEs**, is the fruit of their work. It **showcases a selection of tried-and-tested policies and practices in innovation capacity of SMEs** that have been shared through the INTERREG IVC programme, and which will be of interest to all EU regions. Policymakers and practitioners interested in this topic – whether working on regional, national or European scales – will also find policy recommendations tailored to them.

Cooperative policy learning makes sense. It makes sense because, in an era of tight budgetary constraints, local and regional authorities are seeking best value for money, and robust evidence can enhance the chances of policy success by eliminating the risks and costs of trial and error.

To take forward the programme's key strategic task of sharing policy know-how, the new programme for 2014-2020, INTERREG EUROPE, is developing 'Policy Learning Platforms' which will stimulate a process of continuous policy learning among all interested regional policy stakeholders around Europe.



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Table of Contents

Executive Summary.....	4
1. Introduction and Methodology	7
1.1 Approach, methods and tools for the analysis	7
1.2 Glossary of terms	9
2. Policy Context.....	11
2.1 European SMEs' innovation capacity	11
2.2 EU funding instruments for the innovation capacity of SMEs.....	12
2.3 Other EU initiatives supporting the Innovation Capacity of SMEs	17
3. Analysis.....	19
3.1 INTERREG IVC projects	19
3.1.1 Seven 'Innovation capacity of SMEs' projects	19
3.1.2 Twelve other INTERREG IVC projects linked with Innovation Capacity of SMEs.....	21
3.2 Good Practices from INTERREG IVC projects	24
3.2.1 Lack of financial resources for innovation	27
3.2.2 Shortages in innovation, intellectual property and knowledge management skills.....	31
3.2.3 Insufficient marketing of innovation.....	35
3.2.4 Lack of internal research and technological capabilities	37
3.2.5 Weaknesses in networking and cooperation with external parties	41
3.2.6 Summary of the most relevant Good Practices	45
3.3 Mainstreaming Good Practices.....	47
3.4 Synergies	48
3.4.1 Synergies with other INTERREG IVC PROJECTS.....	48
3.4.2 Synergies with other ETC programmes.....	48
3.4.3 Synergies with other European Funds and Programmes.....	50
3.4.4 Synergies offered by European Networks and organisations.....	51
4. Key Policy Messages and Conclusions.....	53
4.1 General Recommendations for Local & Regional Authorities	53
4.2 Specific Innovation Capacity of SMEs Recommendations for Local & Regional Authorities.....	53
4.2.1 Funding for innovation	54
4.2.2 Support for innovation management skills.....	54
4.2.3 Support innovation marketing	55
4.2.4 Support R&D capabilities.....	55
4.2.5 Support networking and cooperation.....	55
4.3 Recommendations for local & regional policymakers not addressed by the projects ..	56
4.3.1 Funding for innovation	56
4.3.2 Innovation Management skills.....	56
4.3.3 Innovation marketing	56
4.3.4 R&D capabilities	57
4.3.5 Networking	57

5. Annexes.....	58
Annexe 1: Innovation capacity of SMEs projects overview	58
Annexe 2: Innovation capacity of SMEs project partners Map	60
Annexe 3: Innovation capacity of SMEs projects factsheets	61
Annexe 4: Literature List	87

Executive Summary

The innovation capacity of Small and Medium Enterprises (SMEs) is a key issue for Europe's competitiveness and growth. The contribution of business to innovation is crucial, and a dynamic business sector is a key source and channel of technological and non-technological innovation. Smaller companies frequently exploit technological or commercial opportunities that have been neglected by more established companies and commercialise them, thereby contributing to growth and employment. As a result, SME innovation 'capacity' is naturally at the top of the European, national and regional innovation policy agendas and is also a natural focus of the INTERREG IVC programme, which supports a number of projects in this field.

INTERREG IVC projects addressed the most relevant innovation capacity issues faced by SMEs

Among the 204 INTERREG IVC projects implemented during the period 2007-2013, seven aimed at improving the innovation capacity of SMEs, and nine others were mainly devoted to innovation systems, but also tackled the innovation capacity of SMEs. In addition, three other projects had a significant focus on the innovation capacity of SMEs. We have carefully analysed the seven core projects which have identified 93 Good Practices (GP) and worked on their transferability. Most of the GPs addressed the most relevant barriers that impede SMEs' capacity to fully innovate and develop their business.

❖ How to overcome the shortage of the SME's own financial resources and the problem of accessing finance for innovation?

Shortage of the SME's own financial resources is a seemingly perennial problem, but one that has certainly been exacerbated by the recent global financial crisis and current economic slowdown. Innovation is costly, and companies face investment choices regarding scarce resources. Innovation is often in competition with other business functions for this investment. To address this challenge, regional and local authorities can:

- Implement innovation voucher schemes
- Implement flexible innovation funding schemes (guarantees, public/private loans, grants)
- Support regional Venture Capital Funds

❖ How to address the lack of innovation management skills?

Innovation processes need to be managed from the generation of ideas to the generation of profits on the markets with new products / services. Moreover, an increasingly complex innovation system combining 'open' innovation approaches with closed ones requires more sophisticated in-house innovation management skills on the part of firms if the innovation process is to be effective. However, as an emerging theme in innovation support, diverse approaches to innovation management exist, and the market is only starting to develop. To address this barrier, regional and local authorities can support:

- Training workshops or coaching activities
- Incorporation of new staff
- Activities addressing creativity thinking and product conception
- The acquisition of specific technological competences
- The acquisition of specific skills by SMEs such as Design, ICT, etc...

❖ How to develop the marketing of innovation and of innovative products and services?

This challenge is particularly true with regard to the promoting of internationalisation and exploiting public procurement opportunities. In this regard, new business opportunities are being driven by three types of public or pure market drivers:

- o The promotion of lead markets in a bid to restore European Union (EU) competitiveness
- o The creation of new market opportunities related to the search for technological and other solutions to societal challenges
- o Expanding markets abroad

To address this barrier, regional and local authorities can:

- Support the internationalisation of SMEs
- Promote innovative marketing tools
- Help SMEs to improve their Corporate Social Responsibility

❖ How to address the lack of research capabilities in most firms and in particular SMEs?

There is a need for collaborative research, technology transfer and innovation activities between companies and between public and private organisations. To help SMEs achieve this goal, regional and local authorities can support:

- Technology transfer from public research organisations to SMEs through the setting up of permanent networks of research organisations and companies or through the creation of start-up companies within academic organisations for the direct exploitation of research results.
- The hiring of qualified staff

❖ How to overcome weaknesses in networking and cooperation with external partners?

Successful innovation is highly dependent on the identification, cultivation and maintenance of good linkages between the different components of the global value-chain, and as 'open innovation' becomes more embedded in SME business strategies, this challenge can only but grow. To address this challenge, regional and local authorities can support:

- Cluster policies either for their creation or for their development, including internationalisation
- Creating, facilitating and catalysing business networks
- Networks of Innovation intermediaries

This report details these various solutions and constitutes a unique inventory of policy options. It positions INTERREG IVC projects at the heart of the policy improvement processes in Europe, situated in between the more theoretical policy design stage and the delivery of mainstream regional policies and programmes aimed at improving and expanding service provision to end users.

INTERREG IVC projects contributed to improving policy learning and sharing through interregional cooperation between regional organisations.

While highlighting the relevance and very high potential of the achievements thus far of the INTERREG IVC projects in this area, the present report also points out that implementing effective learning processes in this (relatively) new area, where there are still very few certain recipes for success, involves challenges that need to be assessed.

Strengthening regional practices, in particular requires:

- ❖ Effective benchmarking of existing policies and programmes, as carried out by all INTERREG IVC projects in the identification of relevant regional Good Practices, often including the definition of indicators and success / impact criteria.
- ❖ Using formal programme evaluation / review mechanisms such as peer review or other external review schemes, and in general the adoption of an 'evaluation culture' for innovation support; this has been done in several of the INTERREG IVC projects that are covered in this analysis.

In addition, the implementation (and adaptation, when required) of external good practices, implies in turn that the following barriers should be addressed:

- ❖ 'Policy Watch' systems to identify successful approaches at a global scale and the means disseminating information about them; in INTERREG IVC projects, this is normally

achieved through networking among partners, as well as via partners' own networking with international organisations.

- ❖ Access to support and assistance for the implementation of external Good Practices can come in the form of twinning mechanisms or partnering fora / platforms for example; INTERREG IVC projects have addressed the question of implementation through sub-projects that are run by 'mini-programmes' and that typically bring together a small group of regional partners around a specific topic. In capitalisation projects for example, such groups work together to develop regional implementation plans, while others develop platforms dedicated to sharing strategies.

Regional policy communities can make use of the INTERREG IVC programme's favourable framework, and of the Good Practices, tools, results and general achievements of the projects that are reviewed in this report to better structure and also shorten their policy learning/sharing processes.

While most of the presented projects focus either on strengthening regional practices (by identifying and sharing Good Practices) or on implementing / adapting external practices (in particular the capitalisation projects), the current pace of economic transformation in Europe and the pressing needs of SMEs calls for shortened policy learning cycles – which can be achieved through the combination of strengthening regional practices and implementing external practices within the life span of a single project.

In addition, the quantity and quality of the portfolio of Good Practices assembled within the INTERREG IVC programme, of which this report is only a sample, can allow regional policymakers to jump stages, by building on the results of the benchmarking of Good Practices from previous projects and by focusing directly on the activities of evaluation and adaption of these Good Practices to local contexts, through pilots, trials and small-scale implementation.

1. Introduction and Methodology

The following report focuses on the analysis of INTERREG IVC projects within the Innovation Capacity of SMEs theme. The report is structured into four different parts:

1. **Introduction:** describes the methodology and gives some definitions to innovation-related terms.
2. **Policy Context:** this chapter focuses on the policy framework from past to current policies. It also details specific innovation funding instruments.
3. **Analysis of the Innovation Capacity of SMEs theme:** this chapter presents an aggregated analysis of the projects. It provides answers to the research questions and includes similarities from other capitalisation themes, such as Innovation Systems or Entrepreneurship. It is structured according to the identified barriers faced by SMEs to improve their innovation capacity. The individual projects' analyses are presented in annexe 3.
4. **Key policy messages & conclusions:** regroups recommendations for policymakers, mostly local and regional authorities.

1.1 Approach, methods and tools for the analysis

The objective of this capitalisation report is to better exploit the knowledge generated by projects working on the SME innovation capacity theme for the benefit of local and regional authorities in Europe, as well as to increase the visibility of the programme and its impact on the policy-making process at local, regional, national and European levels.

The present report presents the main findings from the analysis of seven INTERREG IVC projects, which each focus on the 'Innovation Capacity of SMEs'. The following research questions were drawn up by the INTERREG IVC programme to guide the analytical direction of the report:

Table 1: Capitalisation questions

- | |
|---|
| 1. What are the common features/ challenges / difficulties/ successes among the projects of the same topic? |
| 2. In particular, which are the similar or different solutions and good practices available in the partner regions that tackle the common challenges? How do these solutions, approaches and good practices add a competitive advantage in the involved regions ? |
| 3. Does one region have a particularly interesting or innovative practice or policy identified which would deserve to be made available to other regions in Europe? Is it easily transferable? |
| 4. Has a project achieved a particular interesting result (e.g. in terms of good practices transferred or policies improved) which could be useful for the other projects in the same topic and more generally for other local/regional authorities dealing with that topic? |
| 5. Do the participating regions identify core pre-requisites for a successful implementation of their regional policy in the domain tackled? How could these help the regions shape their policies and in particular their Smart Specialisation Strategies ? |
| 6. Which relevant state-of-the-art approaches from other EU (in particular ETC) Programmes and projects could be considered in order to validate the benchmark of the knowledge from INTERREG IVC? What is their learning effect on the still running INTERREG IVC projects? Are there possible synergies ? |
| 7. Based on the findings of the analysis, which results from the other capitalisation topics and even other ETC programmes (in particular URBACT, ESPON, and INTERACT) Capitalisation initiatives should be considered to enrich the conclusions and create mutual learning ? |

8. Based on the findings of the analysis, can **specific recommendations** be provided to **individual projects** which may not be aware of important practices / policies or which may be less advanced and experienced than other projects?
9. Based on the findings of the analysis, which are the **unique features and the added value** of the **INTERREG IVC**? How can INTERREG IVC projects contribute to the **implementation of Europe 2020**? Which **links** can be identified with the **EU flagship initiatives** in the thematic field analysed?
10. Based on the answers to all the above questions, which **overall lessons learnt / policy recommendations** can be drawn that could be useful for **policymakers and practitioners at regional, national and/or European level**?

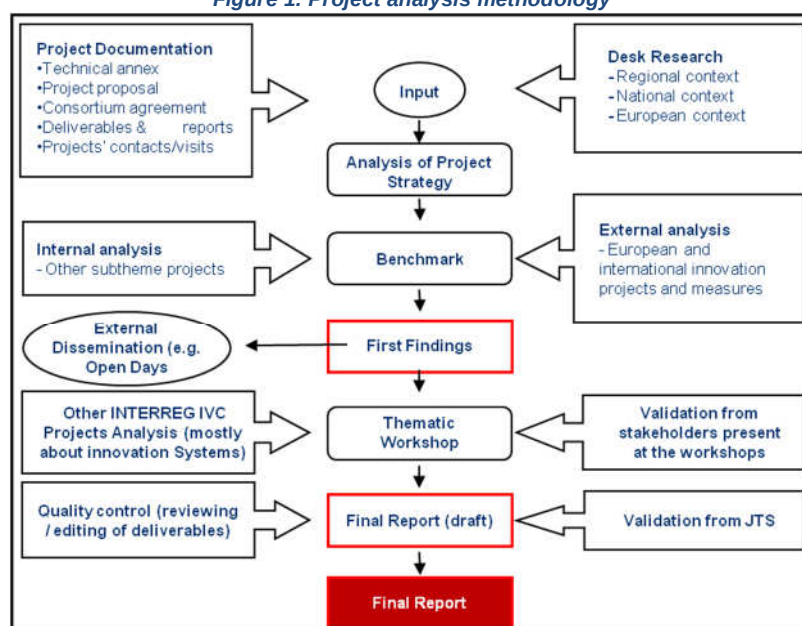
With these questions in mind, the seven projects were first analysed to identify barriers to the innovation capacity of SMEs as well as related interesting Good practices (GPs). The GPs were then subjected to an initial 'profiling' analysis in relation to the innovation barriers.

The main methodological tools used during the course of the programme's thematic capitalisation exercise were:

- Desk research (application forms, progress reports, good practice guides, a good practice sheet, etc.)
- Project fact-sheets drafted with data based on interviews and desk research (one per project analysed)
- Telephone interviews with project lead partners and stakeholders
- Visit to the EURIS project
- Two Thematic Workshops organized together with the Innovations Systems theme. Project representatives as well as other interested parties attended (Brussels, October 2012 & 2013)
- An electronic questionnaire for the first Thematic Workshop participants.
- Presentations given at events

Selected GPs in this report were judged interesting based on the individual projects' results with an emphasis on GPs either transferred or adapted to another region. Some projects only focused on a few GPs for their field trials, even though they had identified many more. In this report, we decided to focus on their selected GPs. Figure 1 provides an overview of the methodology used to conduct the capitalisation exercise.

Figure 1: Project analysis methodology



1.2 Glossary of terms

This sub-section defines the most relevant theme-specific terms, with a view to facilitating the reading of this report.

Table 2 : Theme-specific terms and their definition

Innovation	This report uses the OECD ¹ definition of innovation. There is growing recognition that innovation encompasses a wide range of activities in addition to R&D, such as organisational changes, training, testing, marketing and design. The latest (third, from 2005) edition of the Oslo Manual defines innovation as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. Innovation, thus defined, is clearly a much broader notion than R&D and is therefore influenced by a wide range of factors, some of which can be influenced by policy, including, in particular, regional policy as targeted in INTERREG IVC projects. Innovation can occur in any sector of the economy, including government services such as health or education. However, for the current thematic analysis, the focus is solely on innovation in SMEs.
SMEs	The theme of the analysis is the capitalisation of INTERREG IVC results addressing the innovation capacity of Small and Medium-sized Enterprises (SMEs). In terms of regional policy, the SME concept is generally taken to mean everything from micro-companies (of only 1 employee) to large companies employing several hundred people and with a turnover of millions of Euros – basically only excluding multinational companies or large industrial agglomerates. Formally, the most common definition of SME is that of the European Commission², which defines small companies as those with fewer than 50 employees and an annual turnover below €10 Million, and medium-sized companies as those with fewer than 250 employees and an annual turnover below 50 million. The same recommendation defines micro-companies as those with fewer than 10 employees and a turnover below €2 million. In this report, and as the assessment is on behalf of and for regional policymakers (the programme partners) and for the final beneficiaries (SMEs), we have followed the general SME definition, without a rigorous segmentation of final beneficiaries, excluding measures specifically targeted to micro-companies (which can better be assessed under the theme 'Entrepreneurship') but including for example actions in favour of clusters that can impact both SMEs and larger organisations.
R&D	While innovation is a much broader activity than Research & Development (R&D), this is still a key aspect of the innovation capacity of businesses and also SMEs. In this report, we use the definition of R&D proposed by the US Department of Defence (DOD) ³ . This defines R&D as including Basic Research, Applied Research and Advanced Technology Development, including in this last activity the stages of 'Demonstration and Validation', 'Engineering and Manufacturing Development', 'Operational System Development', 'Developmental Test and Evaluation', 'Operational Test and Evaluation' and 'R&D Management Support', which are common practice in most firms.
IPR	Economies rely increasingly on knowledge-based competitiveness, and innovation is increasingly non-technological in nature. Against this backdrop, Intellectual Property Rights (IPR) – which allow for the appropriation of knowledge-based assets – are a topic SMEs have to deal with much more than in the past. According to the definition of the World Intellectual Property Organization (WIPO) ⁴ , Intellectual property (IP) refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. IP is divided into two categories: Industrial property, which is the most relevant for SMEs and includes inventions (patents), trademarks, industrial designs, and geographic indications of source; and Copyright, which includes literary and artistic works and is not relevant for the present report.

¹ "Ministerial report on the OECD Innovation Strategy", May 2010

² EU recommendation 2003/361

³ DOD Financial Management Regulation (Volume 2B, Chapter 5, 2006)

⁴ WIPO Intellectual Property Handbook, 2004, 2nd edition

PPI	Public Procurement of Innovation (PPI) has long been regarded as an important driver of innovation and is currently re-emerging as the most common instrument of demand-side innovation policies in Europe, with a particular impact in SMEs. PPI is therefore of the foremost importance for this report, in both of its two dimensions, as defined by Charles Edquist⁵: Direct PPI is when the procuring organisation is also the end-user of the product resulting from the procurement. The buying agency simply uses its own demand or need to influence or induce innovation; this type of PPI includes the procurement undertaken to meet the ('mission' or assignment) needs of the public agencies themselves. However, the resulting product is often also diffused to other users. Hence, innovations resulting from PPI can be useful for the performing agencies, as well as for society as a whole. Catalytic PPI is when the procuring agency serves as a catalyst, coordinator and technical resource for the benefit of end-users. The needs are located 'outside' the public agency acting as the 'buyer'. Hence, the public agency aims to procure new products on behalf of other end users. It acts to catalyse the development of innovations for broader public use and not for directly supporting the mission of the agency.
Clusters	Networking and partnership strategies are essential for addressing the innovation capacity of SMEs, and may take several forms, one of the most popular of which, and of particular relevance for this report, is clusters. The definition used in this report is that of the 'Community Framework for State Aid for Research and Development and Innovation'⁶ that defines innovation clusters as <i>"groupings of independent undertakings — innovative start-ups, small, medium and large undertakings as well as research organisations — operating in a particular sector and region and designed to stimulate innovative activity by promoting intensive interactions, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to technology transfer, networking and information dissemination among the undertakings in the cluster."</i>

⁵ 'Public Procurement for Innovation (PPI) as Mission-oriented Innovation Policy', Charles Edquist, Professor CIRCLE (Centre for Innovation, Research and Competence in the Learning Economy), Lund University, Sweden, 2012

⁶ 'Community Framework for State Aid for Research and Development and Innovation' published in the Official Journal of the European Union (2006/C 323/01) of 30.12.2006

2. Policy Context

This section introduces the policy context specific to the field of SME innovation capacity, with a focus on the current EU framework and challenges involved in the field.

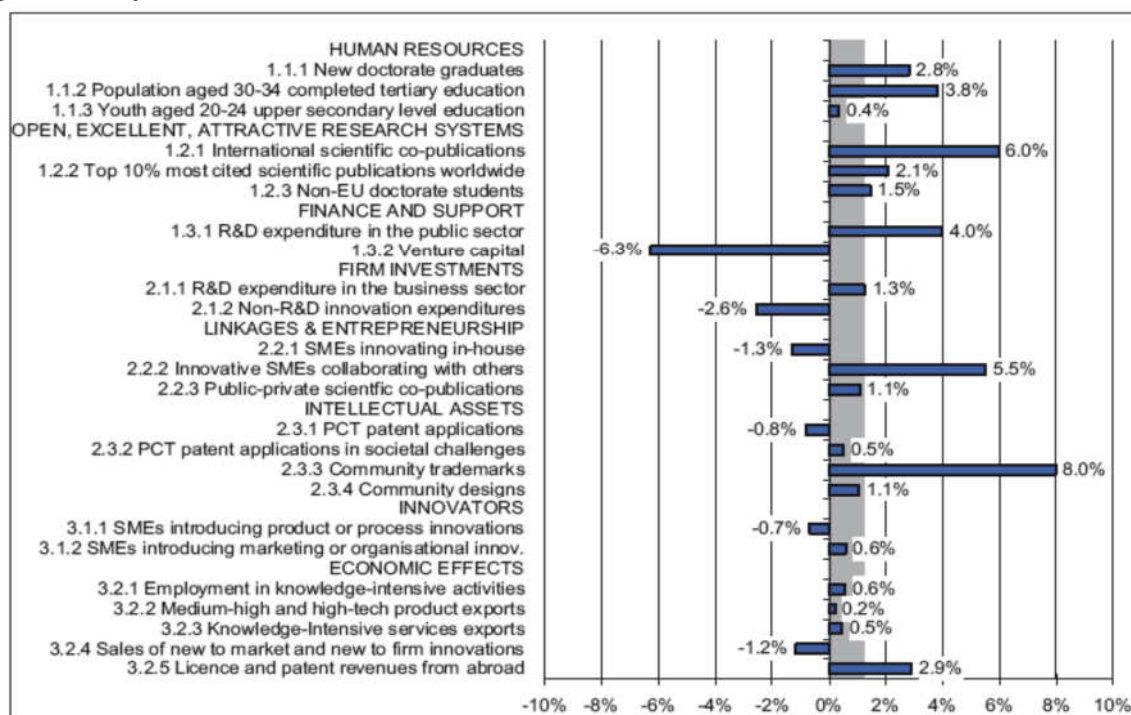
2.1 European SMEs' innovation capacity

Within Europe, SME innovation capacities serve as a key contributor for Europe's competitiveness and growth within the international community. As a result, the innovation capacity of SMEs is naturally at the top of the regional, national and European innovation policy agendas.

However, the global economic crisis had a rapid and significant negative impact on innovation worldwide. OECD figures reveal⁷ that total OECD-area business expenditure on research and development (R&D) declined by a record 4.5% in 2009; declining across all major EU R&D spenders, except France. In 2010, the economic recovery that took place did not return to pre-2009 R&D levels.

The negative effect this had on SMEs was most present in the reduction of innovation support. The Innovation Union Scoreboard (IUS) 2011⁸ shows that, despite an overall improvement in overall innovation performance over the last five years (within EU27), performance in the categories 'Firm investments' and 'Innovators' has diminished. A high negative growth rate is also observed in the categories 'Non-R&D innovation expenditure' and 'Venture capital' and, to a lesser extent, for 'SMEs innovating in-house', 'SMEs with product or process innovations' and 'Sales of new to market and new to firm innovations' (Figure 2: *Comparative Growth in EU-27 innovation indicators*).

Figure 2: Comparative Growth in EU-27 innovation indicators



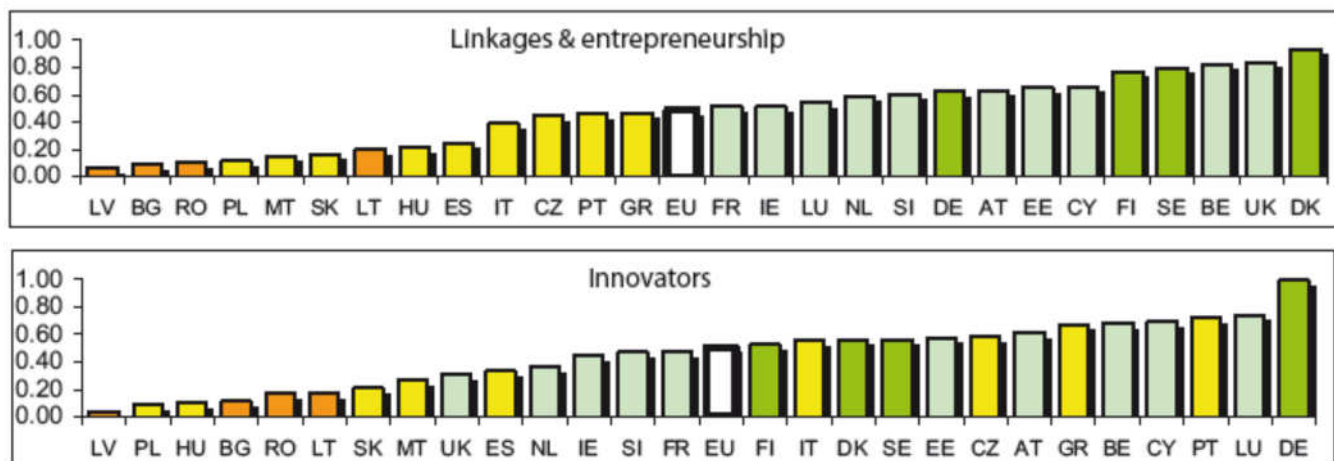
Source: Innovation Union Scoreboard 2011

SME innovation capacity across Europe itself is unbalanced; the situation is best reflected by the results of the IUS (2011) in the categories 'Linkages & Entrepreneurship' (which mainly captures the research and technological capabilities of SMEs) and 'Innovators' (which mainly captures the capacity of SMEs to commercialise innovations in the market). These are presented in figure 3.

⁷ OECD Science, Technology and Industry Outlook 2012, Highlights

⁸ Innovation Union Scoreboard 2011, Research and Innovation Union Scoreboard, EU 2012

Figure 3: State of play of Innovation Capacity of SMEs in EU, based on IUS 2011 results



Source: Innovation Union Scoreboard 2011

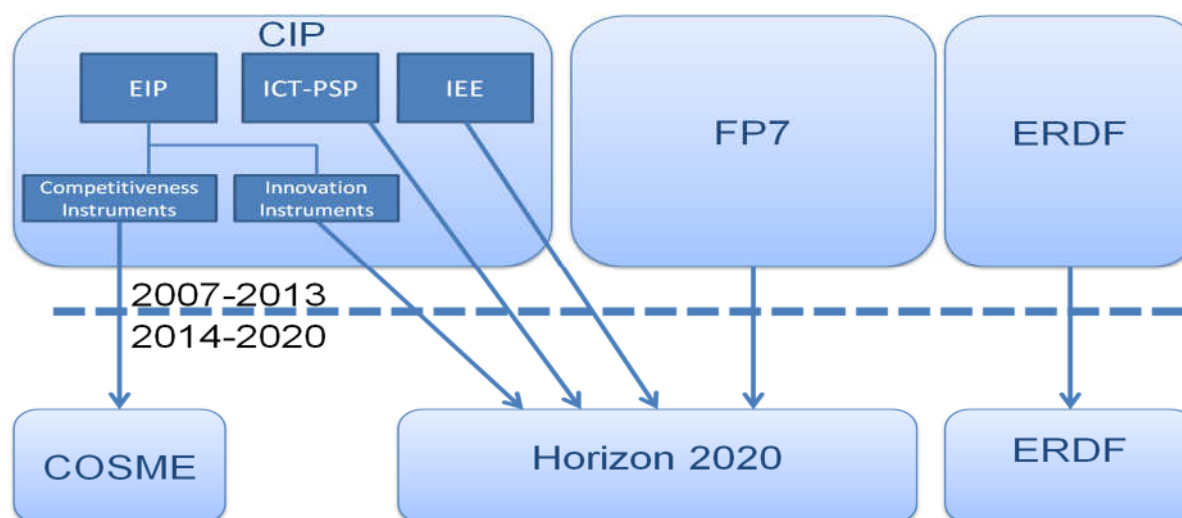
These results, unsurprisingly, show a better situation in Northern European countries – especially Germany, Denmark, Sweden, Finland, Austria, Belgium, but also Cyprus and Estonia, which score highly in both categories, and a weaker situation in Eastern Countries, especially Latvia, Bulgaria, Romania, Poland, Hungary and Slovakia, but also Malta.

2.2 EU funding instruments for the innovation capacity of SMEs

This section will review and examine the use of previous European structural funds and funding instruments used to aid the innovation capacities of SMEs since 2005 and then look at current and future funds.

Between 2007 and 2013, there were three main funding instruments available to support the innovation capacity of SMEs: the Framework Programmes for Research & Development FP7; the Competitiveness and Innovation Programme (CIP) and the European Regional Development Funds. The new Horizon 2020 combines these programmes and initiatives to form a new Framework which “aims at securing Europe's global competitiveness”. The diagram below depicts how 2007-2013 programmes and schemes will look in the new Framework (Figure 4).

Figure 4: Funding schemes comparison between 2007-2013 and 2014-2020



Source: Figure adapted by inno TSD⁹

⁹ <http://www.europarl.europa.eu/document/activities/cont/201204/20120426ATT44002/20120426ATT44002EN.pdf>

Two types of European funding programmes were available for the innovation capacities of SMEs, those which provided direct funding and support to the SME's themselves and a second type, which was more commonly seen within these programmes, was that of indirect funding; examples of this in particular can be found in the EU Cohesion policy, which aimed to create initiatives which could benefit SME's but were not directly for them. Within the new strategy, Horizon 2020 (H2020), the programme for the Competitiveness of Enterprises and SMEs (COSME) and the European Regional Development Fund (ERDF) offer both direct and indirect funding, depending on the projects concerned.

CIP

With Small and Medium-sized Enterprises (SMEs) as its main target, the Competitiveness and Innovation Framework Programme (CIP) supported innovation activities (including eco-innovation), provided better access to finance and delivered business support services in the regions.

The main tools/facilities used by CIP to support innovation activities were:

- PRO INNO Europe and Europe Innova, which acted as cornerstones of European innovation strategy as they sought to mobilise innovation-related policymakers and intermediaries, with a view to improving existing innovation support mechanisms in Europe, notably for SMEs, and to fostering trans-national cooperation.
- The Enterprise Europe Network (EEN), which offered a 'one-stop shop' to meet all the information needs of SMEs and companies in Europe.
- The High Growth and Innovative SME Facility (GIF) invested in specialised funds, which provided venture capital for SME financing. The GIF was funded by the CIP but was managed by the European Investment Fund (EIF) on behalf of the Commission. The GIF's objective was to improve access to finance for the start-up and growth of SMEs, and investment in innovation activities, including eco-innovation.

According to its Interim Evaluation¹⁰ CIP's efficiency improved – at both national and European levels – through the establishment of a single Network for SMEs across Europe. This was brought about by the efforts of the Executive Agency for Competitiveness and Innovation (EACI), which managed to create synergies, to simplify and to achieve economies of scale in the management of the different programmes.

Besides the administrative burden which continues to be mentioned by the stakeholders interviewed during the evaluation process, there is also a perception that the low success rate for proposals creates potentially unacceptable costs for unsuccessful applicants and acts as a deterrent to future participation.

Framework Programme for Research and Technological Development – FP7

FP7, with a budget of €50 billion, was mostly spent on collaborative research. It included several action lines that can broadly be divided into four categories relevant for SMEs' innovation capacities.

1. Those aimed at improving access to funding for SMEs undertaking research (Research for SMEs and Risk Sharing Finance Facility, RSFF).
2. Those aimed at building greater European coherence amongst research projects in specific technologies (the Joint Technologies Initiatives (JTIs) building on the Technology Platforms, see Eureka clusters).
3. Actions aimed at improving research potential at regional level (Regions for Knowledge – soft measures and Research Potential for infrastructure).
4. Actions aimed at improving policy design and implementation.

According to the Interim Evaluation of the Programme¹¹, FP7 had a vast and impressive reach in terms of the geographical spread of the participating teams and range of topics addressed and funded. The Cooperation and People programmes broadly achieved their goals, while the European Research Council (ERC) appears to have been successful in reaching its objectives of excellence and attracting top researchers, and RSFF is making a valuable contribution to research capacity.

¹⁰ European Commission, 'CIP Interim Evaluation – Final Report', March 2010

¹¹ European Commission, 'Interim Evaluation of the Seventh Framework Programme – Report of the Expert Group', November 2010

Structural Funds

Structural Funds have long been used in Europe to overcome the 'innovation gap' experienced between regions. The EU Cohesion Policy is a policy under which a number of different programmes and funds can be found. For the period 2007-2013, it implemented the European Regional Development Fund (ERDF) and the European Social Fund (ESF), which both offered funding that is directly relevant to innovation.

According to the 2010 Evaluation of Cohesion Policy¹², the main change from the previous period is the increased importance given to R&D and innovation, which reflects the emphasis put on the goals of the Lisbon Strategy, and its successor, the Europe 2020 Strategy.

The INTERREG programme is an initiative financed under the ERDF that aims to stimulate cooperation between regions in the EU. The INTERREG IV programme, which covered the period 2007–2013 with a budget of almost €7.8 billion, was organised around three strands:

- Strand A: cross-border cooperation
- Strand B: transnational cooperation
- Strand C: interregional cooperation

The INTERREG IVC programme for the 2007-2013 period had a total budget of €321 Million, 55% of which was allocated to Innovation and the knowledge economy. The programme supports two types of projects: Regional Initiative Projects and Capitalisation Projects. INTERREG IVC funded projects which were specifically geared towards supporting SMEs; projects such as Business to Nature which contributed to the “endogenous development of European regions by promoting entrepreneurship in underdeveloped areas building on local skills”, and Mini Europe project which “exchanged and developed regional policies in SME development, focusing on the main theme of providing a transparent infrastructure for innovation to SMEs”. This programme is set to continue during the 2014-2020 Framework under the name INTERREG EUROPE¹³.

Besides the INTERREG programme, there are also three networking programmes that aim to stimulate cooperation between European policymakers:

- URBACT II: The Urban Development Network Programme aims to improve the effectiveness of urban development policies.
- ESPON: The European Observation Network for Territorial Development and Cohesion aims to support policymakers by providing territorial evidence as well as support.
- INTERACT: This programme provides assistance to stakeholders that are implementing programmes under the European Territorial Cooperation Objective.

Horizon 2020

Horizon 2020 is the European Union Research and Innovation Programme, a financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative. It is the successor to FP7 and combines all research and innovation funding previously provided through the Framework Programmes for Research and Technical Development, the innovation-related activities of the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT). Horizon 2020 has specifically made measures for the innovation capacities of SMEs, by providing both direct financial support, and indirect support.



A specific objective '**Innovation in SMEs**' in the 'industrial leadership' area has been created, as well as a new global instrument dedicated to SMEs, the '**SME instrument**'.

¹² European Commission, 'Evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 - Synthesis of national Reports 2010', December 2010

¹³ <http://www.interreg4c.eu/>

Innovation in SMEs

The goal of the actions bundled under this objective is to build innovation management capacity for Small and Medium Enterprises, i.e. the internal ability of companies to manage innovation processes from the generation of the idea to its profitability on the market.

Within the priority area 'industrial leadership', a number of activities will be funded from the €619 million budget of the specific objective 'Innovation in SMEs'. It includes:

- a) A specific action for research-intensive SMEs building on the Eurostars joint programme (Eurostars-2)
- b) Measures to enhance the innovation capacity of SMEs through new and experimental types of SME innovation support (Europe INNOVA, former CIP-EIP).
- c) Support for market-driven innovation, for example, through procurement networks.

The SME Instrument

Horizon 2020 will also be funding high-potential innovation through a dedicated SME instrument, provided with about €3 billion in funding over the period 2014-2020. It will offer seamless business innovation support, under the specific part 'Leadership in Enabling and Industrial Technologies (LEITs)' of the section 'industrial leadership', and the section 'Societal Challenges'.

The SME instrument will be competitive, business-oriented and focused on creating impact, bringing high-potential innovations closer to the market. Business innovation grants will provide a reimbursement rate of 70% of the project costs (but up to 100% of the project costs where a research component is strongly present). A good chunk of the Horizon 2020 budgetary target for SMEs will be delivered through the dedicated SME instrument. The exact budget allocation is still to be decided.

The new instrument will integrate R&I-related SME support that is currently spread across several programmes and initiatives (notably the EU's current Seventh Framework Programme (FP7) for research and technological development and the Competitiveness and innovation Framework Programme-CIP) into one comprehensive, simple and easily accessible scheme. Only SMEs will be able to apply for funding, and even single company support will be available with a view to ensuring market relevance and to increasing the commercialisation of project results. SMEs can decide how best to organise the project and with whom to collaborate.

The aim of the SME instrument is to:

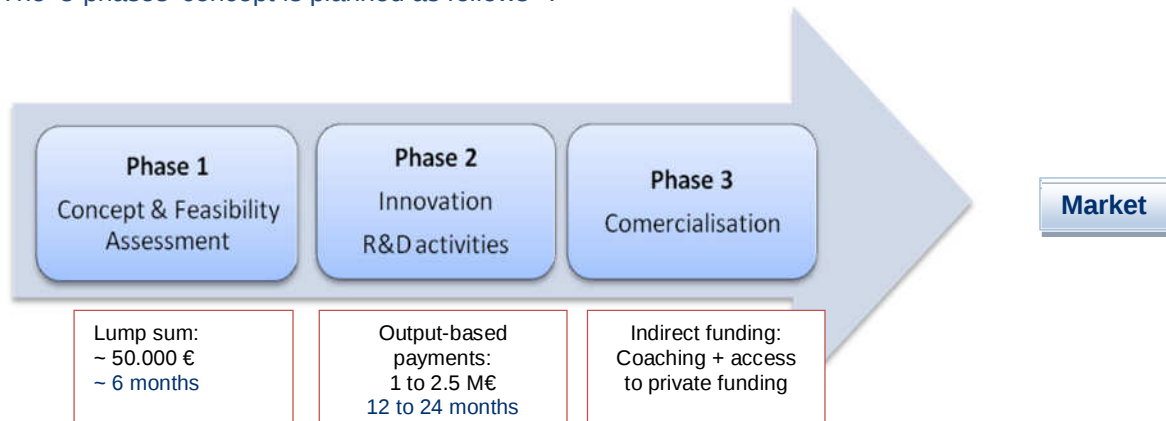
- Fill gaps in funding for early-stage, high-risk research and innovation by SMEs as well as stimulating breakthrough innovations.
- Target all types of innovative SMEs showing a strong ambition to develop, grow and internationalise.
- Provide support to all types of innovation, including non-technological, social and service innovations, given each activity has a clear European added value.

The SME instrument in brief:

- Target group: Innovative SMEs
- Only SMEs allowed to apply for funding
- Other organisations can be included through sub-contracts
- Single company support possible
- Market-oriented, close to market activities: 70% funding
- 3-phased, but no obligation to cover all three phases; application to each phase is open to all SMEs
- Competitive, EU dimension: only the best ideas pass phase 1
- Coaching along the three phases by professionals with business experience
- Open calls
- Starting date: early 2014

The SME instrument aims to provide easy access with simple rules and procedures, as well as a staged support in three phases, which will cover the whole innovation cycle.

The '3-phases' concept is planned as follows¹⁴:



The COSME Programme

Alongside the amalgamation of previous scheme and funds which make up H2020; a programme known as COSME¹⁵ (Competitiveness of Small and Medium Enterprises) will also be set up.

COSME will run alongside H2020 with a budget of €2.4 billion. It aims to target existing entrepreneurs, to aid their development, consolidation and growth phase, and future entrepreneurs, to set up their own business. It will also provide public authorities with tools for improving their policies; in particular, through analytical studies and EU-wide data and statistics. The overall objective of the programme is to foster a business-friendly environment for SMEs with a view to ensuring and supporting their competitiveness and growth. It is principally designed to strengthen the role and innovation services of the Enterprise Europe Network - EEN under this programme.

To achieve this, several objectives and actions (accompanied by budget lines) have been established. The objectives, actions and budget lines of the COSME programme are presented in Table 3.

In the year 2014, the COSME budget will be €260 million (it is expected to reach €430 million in 2020). The lion's share of the 2014 budget, €163 million, will be dedicated to equity and loan instruments thereby making 'improving access to finance' the main objective of the programme.

¹⁴ Scheme adapted from '*SME opportunities for EU-US collaboration in Horizon 2020*'. Information guide from the project Bilat USA 2.0: <http://www.euussciencetechnology.eu/>

¹⁵ http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm

Table 3: COSME objectives and actions¹⁶

Objectives	Actions	Total budget 2014-2020
Improving framework conditions for the competitiveness and sustainability of EU enterprises	Activities to improve European competitiveness: <i>Studies, impact assessments, evaluations, conferences</i>	EUR 101.7 million
	Activities to develop SME policy and promote SMEs competitiveness: <i>Meetings, reports, databases</i>	EUR 64.5 million
	Tourism: <i>Projects, prizes, surveys, events</i>	EUR 131.4 million
	New business concepts for consumer goods: <i>Market replication-type projects</i>	EUR 86.8 million
Promoting entrepreneurship	Activities promoting entrepreneurship: <i>Erasmus for Entrepreneurs</i>	EUR 86.8 million
Improving access to finance	Financial instruments	EUR 1.4 billion
Improving access to markets	Enterprise Europe Network (EEN): <i>Support services, partnership proposals⁹</i>	EUR 424 million
	Support to SMEs abroad: <i>Studies, helpdesks, platforms, events, promotion activities</i>	EUR 99.2 million
	Support to international industrial cooperation: <i>workshops, meetings</i>	EUR 12.4 million
Total		EUR 2.4 billion

2.3 Other EU initiatives supporting the Innovation Capacity of SMEs

There are other EU initiatives that can indirectly support SMEs' Innovation Capacity.

The Innovation Union flagship initiative

The **Innovation Union flagship initiative**¹⁷ aims at improving innovation within Europe, and it is one of the seven flagship initiatives for Smart, Sustainable and Inclusive Growth. Innovation is the main driver for economic growth in the EU, but innovation performances still need to be improved. The initiative will make it easier for entrepreneurs to market their ideas and to develop their company.

"The smart specialisation concept promotes efficient, effective and synergetic use of public investments and supports countries and regions in strengthening their innovation capacity, while focusing scarce human and financial resources in a few globally competitive areas in order to boost economic growth and prosperity." – RIS Guide

The Innovation Union flagship initiative hopes to develop for SMEs:

- Improved access to finance
- Innovation-friendly rules and regulations
- Accelerated standard-setting
- Cheaper patenting
- Innovation supported by the public sector
- Innovation Partnerships to give EU businesses a competitive edge
- Facilitated access to EU research and innovation programmes

¹⁶ <http://www.europarl.europa.eu/document/activities/cont/201204/20120426ATT44002/20120426ATT44002EN.pdf>

¹⁷ http://ec.europa.eu/research/innovation-union/index_en.cfm

Research and Innovation Strategies for Smart Specialisation (RIS3)

The **Research and Innovation Strategies for Smart Specialisation (RIS3)** are part of this indirect support. Indeed, the RIS3 rationale is that by focusing on a small number of national or regional strength, regions will develop a competitive advantage, boosting their economy and productivity therefore benefiting SMEs. Furthermore the RIS3 are built upon the industrial and economic fabric of each region, ensuring that there will be economic growth. The entrepreneurial knowledge is used to define each RIS3 and it is known as 'the entrepreneurial process of discovery'¹⁸. RIS3 are the continuation of previous RIS; however, **RIS3 are now a pre-condition for ERDF funding**.

Cluster policies

Another European initiative that can impact SMEs Innovation Capacity is the support given to clusters and in particular in the **development of world-class excellence clusters**. Indeed, the European Commission supports the European Cluster Alliance and the European Cluster Observatory as well as actions to improve cluster organizations and cooperation between clusters.

The **European Cluster Alliance** is an **open platform** allowing **policymakers** interested in cluster policies, funding and development to **exchange knowledge, experiences and good practices**.

Clusters are, by nature, market-driven, allowing SMEs to meet business partners and to develop B to B opportunities. They contribute to creating a **favourable environment for SME development and innovation** and help in their internationalization. Strong clusters combine entrepreneurial dynamism, top-level academic knowledge and synergies among innovation stakeholders. They contribute to the building of a knowledge-based economy and to achieving the Europe 2020 objectives of new growth and job creation.

Procurement of Innovation Platform

The Procurement of Innovation Platform¹⁹ is an online hub developed by ICLEI (an association of over 1200 local governments) to help public authorities with Public Procurement of Innovation (PPI) and Public pre-Commercial Procurement (PCP). It offers a website (including calls for tenders), a forum and a resource centre. The initiative is supported by the European Commission. Public procurements offer a great market for innovative products and services and yield benefits for both public and private sectors. These benefits include:

- Increased economic growth
- Better products and services
- Initiatives towards solving societal challenges

In 2009, public procurements accounted for about 19% of the European Union's GDP, and in 2011, the European Commission estimated the number of contracting authorities to be about 250 000. Finally, the amount of public procurement in key emerging markets in 2030 is estimated to be €542 billion.

The platform is more specifically designed for managing authorities wishing to implement PPI. It offers guidance, examples of past experiences and benefits as well as good practices. The forum is a networking tool. The platform team also coordinates the Experience Exchange Programme to spread knowledge and know-how about PPI and PCP between experienced public procurers and inexperienced public authorities. It offers the opportunity for bilateral field visits.

¹⁸ This idea was introduced and is elaborated on by Foray et al (2009) in 'Smart Specialisation – The Concept', a Policy Brief of the Knowledge for Growth Expert Group advising the then Commissioner for Research, Janez Potočnik.

¹⁹ <https://www.innovation-procurement.org/>

3. Analysis

3.1 INTERREG IVC projects

3.1.1 Seven ‘Innovation capacity of SMEs’ projects

Seven INTERREG IVC projects fall directly within the theme of Innovation Capacity of SMEs (Table 4).

Table 4: INTERREG IVC projects related to the Innovation Capacity of SMEs

Project	Name	Detailed Topic
SMART+ http://www.smartplusinnovations.eu/	Mini-Programme for SMEs Innovation and Promotion of RTD	Enforcing SMEs role in the transition from traditional industry regions to knowledge- based economy regions
InnoHubs http://www.innohubs.eu	Innovation Hubs	Promotion of innovation in edge cities
InnoMot http://innomot.net/	Improving Regional Policies promoting and motivating non- technological Innovation in SMEs	Adoption of non-technological innovations by SMEs
Mini-Europe http://interreg-minieurope.com/the-project/	Mainstreaming Innovative Instruments for SME development in Europe	Promotion of innovation for SMEs
DISTRICT+ http://districtplus.it/	Disseminating Innovative Strategies for Capitalisation of Targeted Good Practices	Support to the transition between traditional economy and competitive economy
PERIA * http://www.peria.eu/	Partnership on European Innovation Agencies	Improvement of innovation services provided by the Regional Innovation Agencies
ERIK ACTION http://www.eriknetwork.net/erikaction/	Upgrading the innovation capacity of existing firms	Improving the innovation capacities of existing firms and SMEs.

Preliminary analysis showed that they address similar barriers to the innovation capacity of SMEs, namely:

- **Lack of financial resources for innovation** and difficulties in accessing finance and innovation project funding
- Shortages in **innovation**, intellectual property and **knowledge-management skills**
- **Insufficient marketing of innovation** including poor use of public procurement and public markets by SMEs and a lack of information and skills for accessing international markets
- **Lack of internal research** and technological capabilities
- **Weaknesses in networking** and cooperation with external parties

Table 5 shows that two projects originally planned to address the five barriers identified (PERIA and ERIK ACTION), while two others planned to address only one of the five barriers identified (INNOHUBS and INNOMOT).

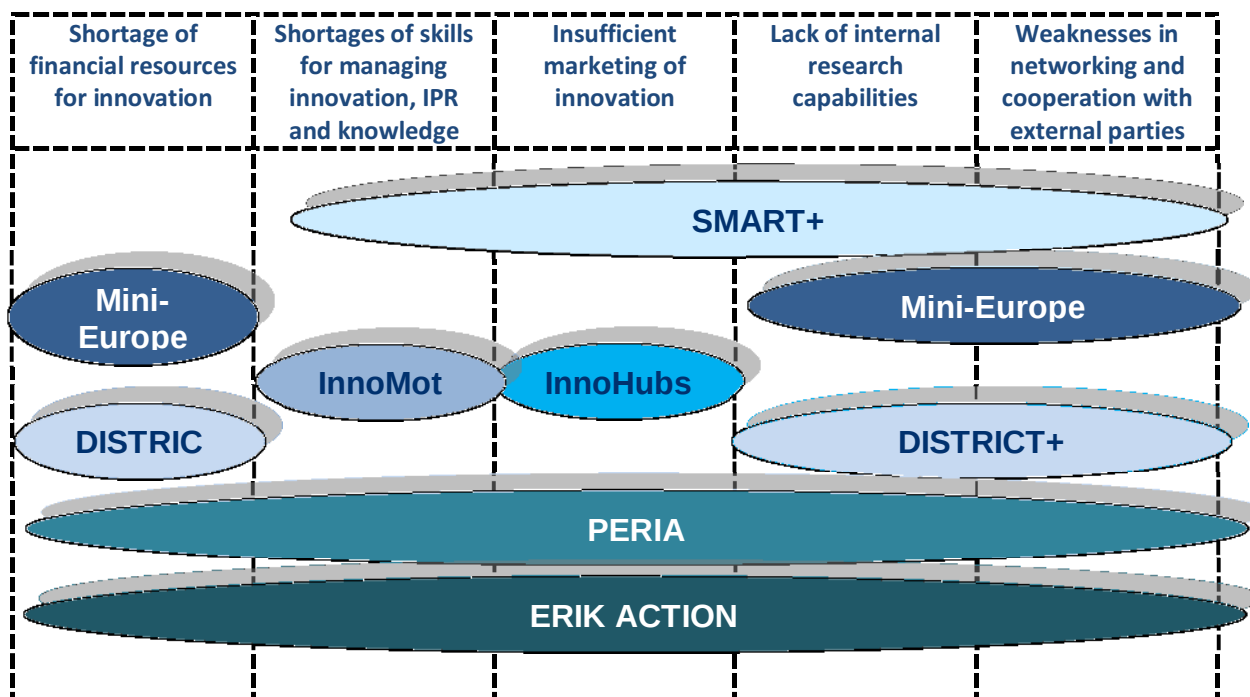
Table 5: Projects' objectives and the barriers they address

Project	Objectives	Barriers Addressed
SMART+	- Foster the participation of SMEs in networks and clusters - Provide SMEs with better access to RTD and business partners - Develop strategies for the marketing of innovative ideas - Improve the capacities of employees in SMEs for RTD and innovation management through training and the support of experts	- Weaknesses in networking - Lack of internal research capabilities - Insufficient marketing of innovation - Shortage in innovation management skills
InnoHubs	Address the problem of SMEs in Edge Cities that have been found to be very inward-looking and do not make use of wider international commercial links and opportunities, which can affect their capacity for growth and competitiveness.	Insufficient marketing of innovation
InnoMot	- Prepare the deployment of new policies and programmes addressed to support the adoption of non-technological innovations by SMEs in the Regions involved. - Improve the development and adoption of new business models in SMEs by designing, implementing and managing strategies, policies and tools, whose aims are to improve non-technological innovation, and especially regarding the factors related with the motivation of SMEs' owners and managers.	Shortage of innovation management skills
Mini-Europe	Exchange and develop regional policies in SME development, focussing on the main themes of promoting entrepreneurship and providing infrastructure for innovation to SMEs.	- Lack of internal research capabilities. - Shortage of financial resources - Weaknesses in networking
DISTRICT+	Deliver transferable policy instruments and stable interregional networks implementing sub-projects in the areas of clusters and business networks, SMEs innovating projects with universities and technology Centres, and innovation financing.	- Weaknesses in networking - Lack of internal research capabilities. - Shortage of financial resources
PERIA	Contribute to the cooperation of the local and regional innovation players in order to strengthen the effectiveness of regional development policies, to enhance the level spent for Research Development and Innovation and to contribute to the transformation of knowledge into new and marketable products and services.	- Weaknesses in networking - Lack of internal research capabilities - Shortage of financial resources - Shortage of innovation management skills - Insufficient marketing of innovation
ERIK ACTION	Upgrade the innovation capacity of existing enterprises in the partner regions, by using structural funds to capitalise on the results from previous projects, addressing key factors of innovation capacity (such as innovation/business strategy, knowledge management incl. collaboration with external resources, innovation finance incl. funding schemes, HR management incl. training models and an innovation friendly environment incl. CSR)	- Weaknesses in networking - Lack of internal research capabilities - Shortage of financial resources - Shortage of innovation management skills - Insufficient marketing of innovation

It is also useful to visualize this information in a schematic way (

Figure 5). This figure particularly shows that the INTERREG IVC projects that have tackled objectives related to the theme of 'Innovation Capacity of SMEs' offer a good and uniform coverage of the barriers identified. All barriers are covered by a minimum of 4 projects and a maximum of 5 (of the 7 projects under analysis).

Figure 5: Initial Positioning of analysed INTERREG IVC Projects



These seven projects are individually presented in **Annexe 3**, including a presentation of their GPs, an analysis of selected GPs and the main recommendations and conclusions related to the projects.

3.1.2 Twelve other INTERREG IVC projects linked with Innovation Capacity of SMEs

The current study focuses on projects mostly dealing with the Innovation Capacity of SMEs; however, there were other INTERREG IVC projects that also identified valuable 'Innovation Capacity of SMEs GPs'. Some of these projects are fully analysed under the themes of **Innovation Systems, Entrepreneurship, Creative Industries or E-government**. Table 6 lists these other related projects.

Table 6: List of related Projects

Project	Name	Detailed Topic	Capitalisation Theme
ERMIS http://www.paca-ecobiz.fr/jcms/prd_120225/fr	Effective Reproducible Model of Innovation Systems	Governance models for local innovation systems for SMEs	Innovation Systems
EURIS http://www.euris-programme.eu/	Creating Local Innovation through a Quadruple Helix	Improving relations between different stakeholders to support open innovation	Innovation Systems

INNOPOLIS http://www.knowledgcecities.eu/	European Collaborative and open Regional Innovation Strategies	Developing an open innovation environment	Innovation Systems
INOLINK http://www.inolink.eu/	Innovation Policy in University City Regions	Enhancing the cooperation between businesses and universities	Innovation Systems
IPP http://www.i-p-p.eu/	Interregional Partnership Platform	Supporting innovation intermediaries	Innovation Systems
KNOW-MAN http://www.know-man.eu/	Knowledge Networks Management in Technology Parks	Strengthening the knowledge-business-public Triple helix	Innovation Systems
PIKE http://www.pike-project.eu/start.html	Promoting Innovation and the Knowledge Economy	Exchange, sharing and transfer of E-government and Wireless Broadband good practices	E-government
Young SMEs http://www.youngsmes.eu/about/	Sharing Interregional knowledge to define Supporting Programmes for Young SMEs	Development strategies and instruments to support the market consolidation and competitiveness of SMEs during their 4th and 5th years.	Entrepreneurship
UNICREDS http://www.unicreds.eu/index.html	Enhancing the regional competences in strategic management of innovation policies	Smart Specialisation strategies and effective instruments of innovation policies to develop Regions' own comparative advantages	Innovation Systems
URMA http://www.urma-project.eu/	Connecting the territory through the innovation network	Ensuring a good distribution of innovation between centres and peripheral areas	Innovation Systems
CLIQ http://www.cligproject.eu/en/clig_project/?id=2	Urban-rural partnerships in metropolitan areas	Generating and transferring innovation in metropolitan areas through urban-rural partnerships	Innovation Systems
Cross-Innovation http://www.cross-innovation.eu/	Promoting Cross-Innovation in European Cities and Regions	Collaborative and user-driven innovation	Creative Industries

Projects that focused on innovation systems addressed GPs relevant to the innovation capacity of SMEs, such as:

- Spin-offs and incubation
- Cluster development and management
- Technology Transfer and Research Commercialization
- Linking SMEs to knowledge providers

Innovation Systems and Innovation Capacity of SMEs are interlinked. Indeed, in order to **support SMEs' innovation capacity**, there is a **need for a structured and strong innovation system** designed to support SMEs in their innovation. GPs from some of these projects are mentioned in sections 3.2 and 3.4 of this report.

The Cross-Innovation project identified GPs that addressed several barriers to the innovation capacity of SMEs, namely: 'lack of financial resources', 'lack of internal research capabilities' and weaknesses in networking and cooperation with external parties". GPs from this project are mentioned in sections 3.2 and 3.4.

GPs from the entrepreneurship theme were categorized as follow:

- Education and culture
- Finance
- Regulatory environment and procurement
- Infrastructure
- Support and technical assistance

Those from the 'finance', 'regulatory environment and procurement' and 'support and technical assistance' categories may also relate to the innovation capacity of SMEs; however, the project Young SMEs hasn't published its GPs yet.

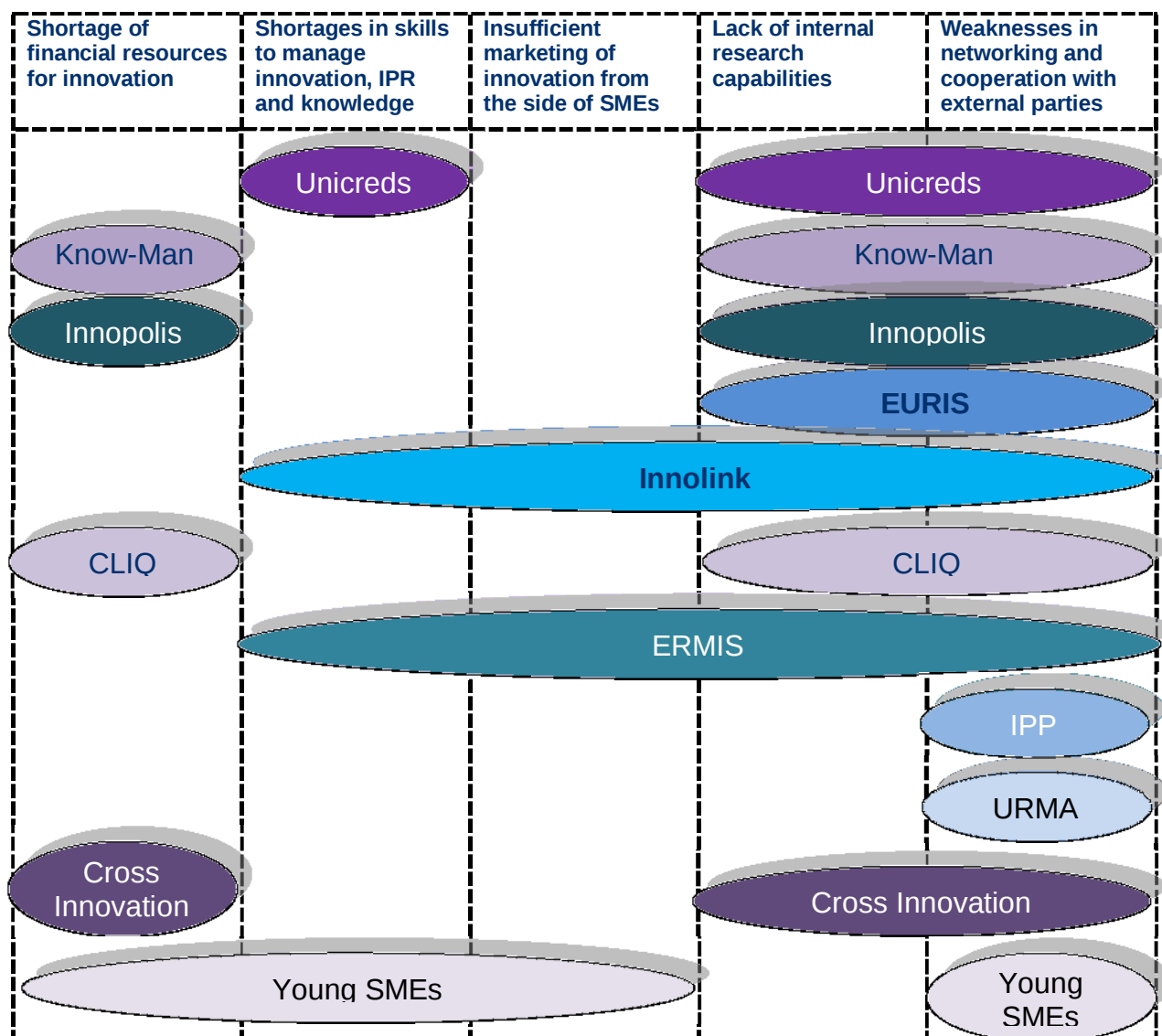
The PIKE (Promoting Innovation and the Knowledge Economy) project's objectives were to "improve regional and local Innovation & Knowledge-Economy policies through the exchange, sharing and transfer of E-government and Wireless Broadband good practices". It identified GPs specifically addressing the inclusion of online services and management in Public Administrations, with the aim of renewing and modernizing the relations between administrations and citizens. For the 'Wireless Broadband' part of the project, it dealt with GPs to be implemented by local governments and administration that make a good use of this technology. Even though PIKE's GPs could have addressed the theme of Innovation capacities of SMEs, none of them were actually dedicated to this.

To summarize which barriers to innovation these other projects addressed, Figure 6 shows where some of their GPs are positioned.

Finally, concrete examples of GPs from these other projects can be found in their respective thematic reports²⁰.

²⁰ <http://www.interreg4c.eu/capitalisation/>

Figure 6: Positioning of analysed INTERREG IVC Projects from other themes

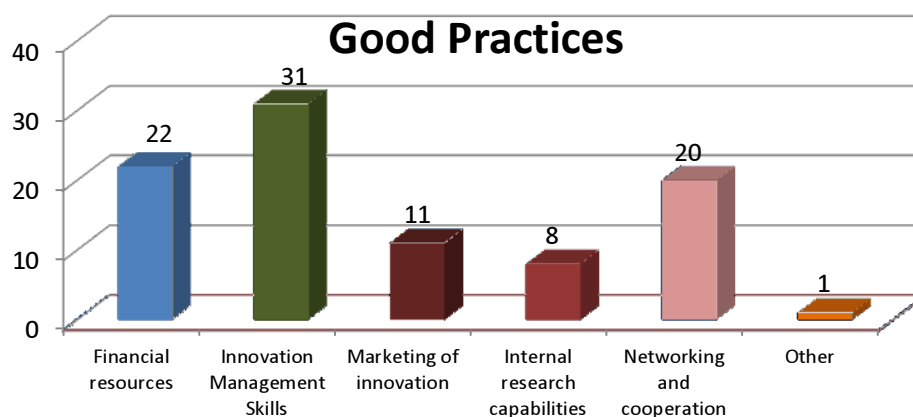


3.2 Good Practices from INTERREG IVC projects

The seven projects under analysis included a total of **151** sub-projects, Good Practices identified and promoted or other initiatives or tools developed within the projects. Of these, **93** (62%) can be considered as highly relevant to the Innovation Capacity of SMEs. The remaining fall outside of the scope of this report: dealing mostly with entrepreneurship, with innovation systems (mainly Science Parks or other infrastructures) or with specific industries such as energy, transport or ICT.

Figure 7 provides a breakdown of the 93 relevant sub-projects and GPs in terms of the five barriers to innovation they address:

Figure 7: Breakdown of sub-projects, GPs and other measures in terms of barriers addressed

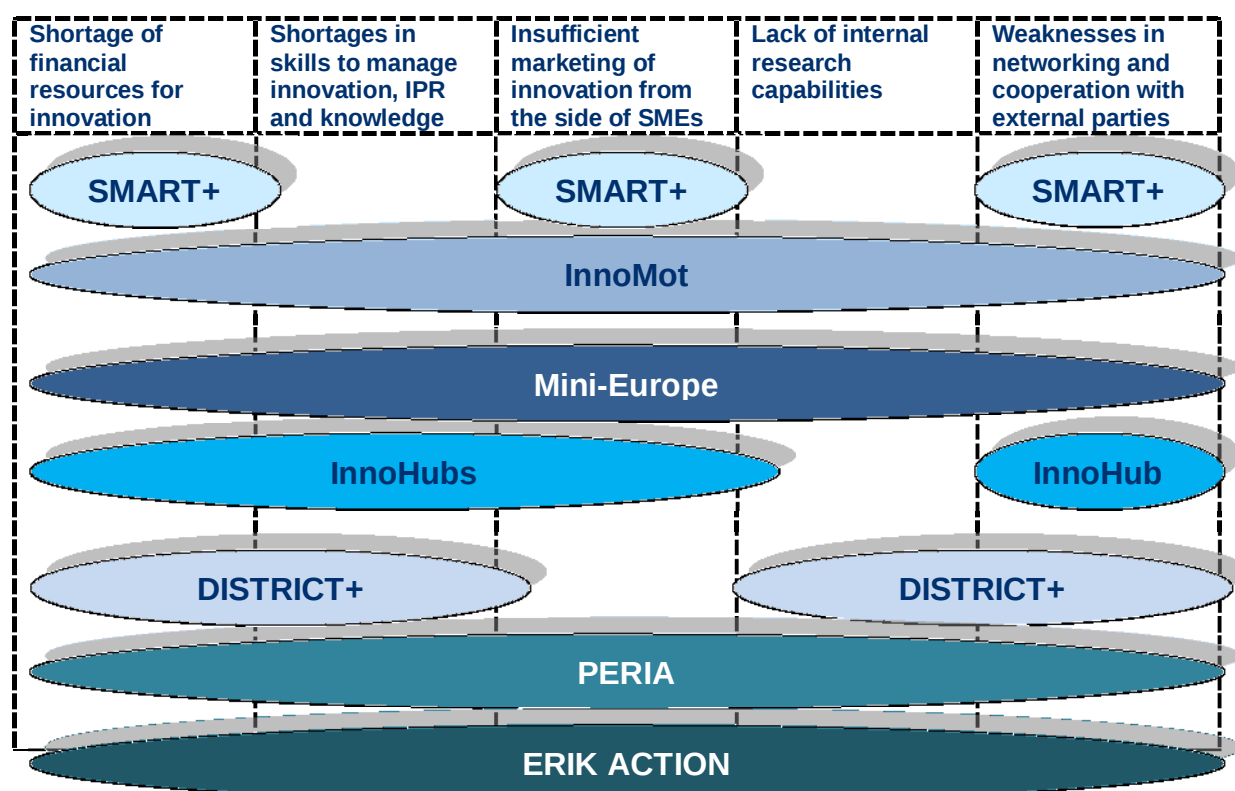


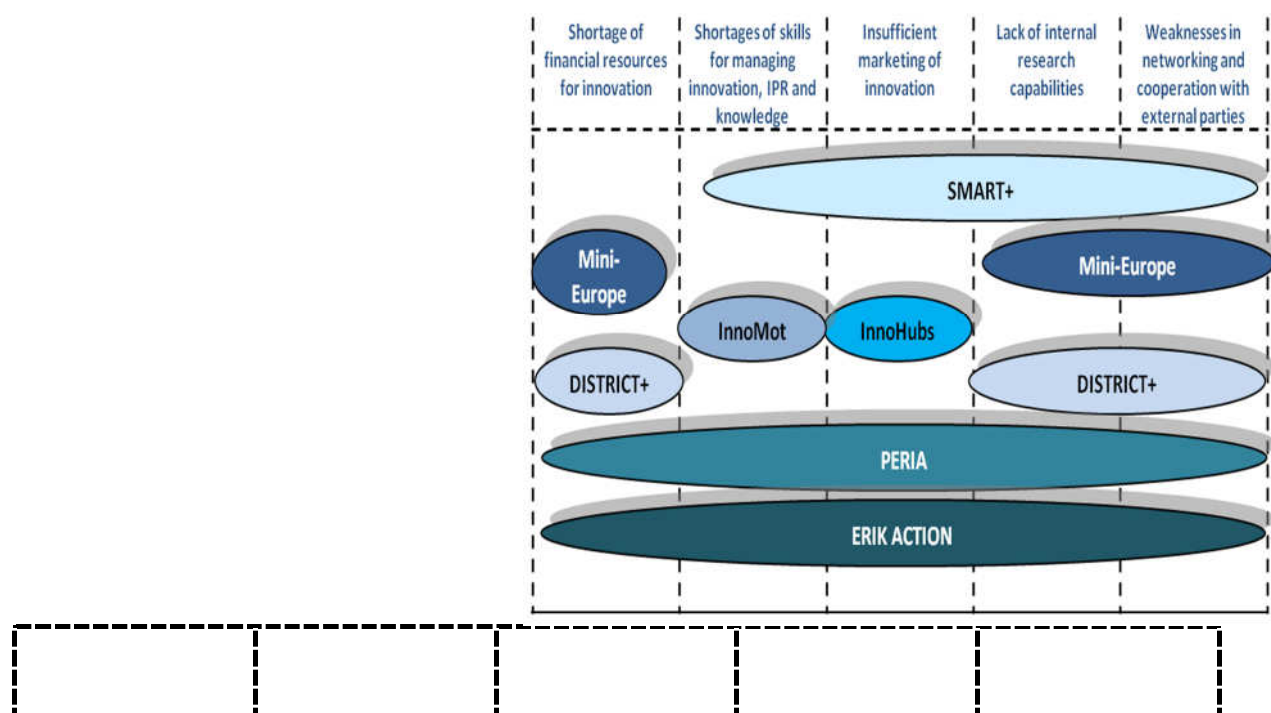
The bar chart shows that the seven projects under analysis offer a complete coverage of the most relevant barriers to the Innovation Capacity of SMEs. Moreover, each of the five main barriers identified is covered by a minimum of eight GPs. All of the even projects analysed not only covered a broad range of innovation barriers, but did so even when the original objectives were narrower, and more focused on a specific barrier. This is highlighted by comparing

Figure 8 and

Figure 5 (see below).

Figure 8: Positioning of analysed INTERREG IVC Projects after analysis





When this coverage is compared with the initial coverage in terms of the original objectives of the projects (Figure 5, replicated on the right), we can see that the scope of the projects as implemented was indeed broader than the original goals.

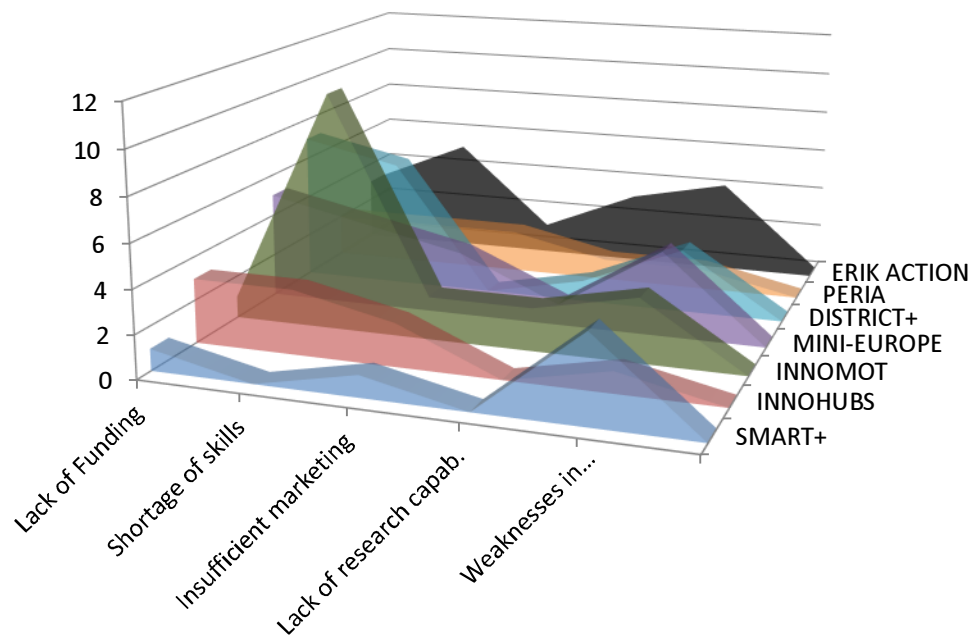
On the one hand, this results in a wider range of GPs and other forms of policy action and therefore a larger platform for policy learning and sharing within each project, which may in turn result in a better choice of the most adequate policies for future mainstreaming and implementation in each region. On the other hand, it can also lead projects to lose some focus and depth in the analysis of the issues related to enhancing the innovation capacity of SMEs.

For instance, a project such as MINI-EUROPE, whose initial objectives were singularly focused on 'enhancing cooperation and knowledge exchange between SMEs and knowledge institutes', has in fact benefited from taking a broader approach, having also identified Good Practices for the other main barriers, and having achieved very good results in terms of good practices transferred between regions. But for a project such as INNOMOT, this wider coverage in terms of barriers addressed by the Good Practices identified and improved by the consortium, may actually lead to a blurring of the original and unique focus of the project on 'non-technological innovation'. Clearly, therefore, at project level there is a trade-off that must be considered on a case-by-case basis.

However, this broad picture of projects covering the 'innovation capacity of SMEs' and all its barriers needs to be qualified: most projects have maintained a level of specialisation in a specific sub-topic / barrier (

Figure 9).

Figure 9: Number of GPs per barrier and per project



This specialisation (e.g. INNOMOT on 'Shortage of skills' or DISTRICT+ in 'Lack of Funding') has allowed the projects to identify relevant solutions for some of the most pressing issues faced by SMEs for each of the barriers. These are detailed, for each of the five main barriers, in the following sections.

The following paragraphs describe the challenges SMEs face when innovating and the various solutions identified by the INTERREG IVC projects. The descriptions of the good practices are, for the most part, the descriptions given by the projects themselves.

3.2.1 Lack of financial resources for innovation

▪ Challenge

Innovation is a costly affair, and companies, and especially SMEs, need to make choices about where to use scarce resources, for which innovation often has to compete with other business functions. The problem is particularly urgent in a period of economic crisis and shortage of bank loans to industry, as presently faced across Europe, and is a top priority for all regional and national stakeholders involved in innovation support.

This barrier, not surprisingly, appears in all the recent surveys and studies as a top concern of European SMEs. For example:

- The European Central Bank Consultation (2011)²¹ of 7 532 firms, 6 941 of which had fewer than 250 employees in which 'access to finance' was ranked the second most pressing problem faced by SMEs in the Eurozone.
- The Public Consultation on the effectiveness of innovation support in Europe (2010)²² on 1 000 companies (a large majority of which were innovative micro and small enterprises) and 430 innovation intermediaries found that:
 - o Lack of access to finance is viewed by enterprises as the main factor hampering innovation activities.
 - o Lack of access to finance is considered by institutional stakeholders as the principal barrier preventing businesses from bringing innovations to the market.

²¹ Survey on the access to finance of SMEs in the euro area (SAFE), <http://www.ecb.int/stats/money/surveys/sme/html/index.en.html>

²² Making public support for innovation in the EU more effective: Lessons learnt from a public consultation for action at Community level, http://ec.europa.eu/enterprise/policies/innovation/files/swd_effectiveness_en.pdf

This barrier is severe, even though funding instruments for innovation in SMEs already exist (Table 7: *Innovation funding instruments*).

Table 7: Innovation funding instruments

Types of financing	Funding instruments examples	SMEs development phases
Public grant	Vouchers	All phases Some schemes are customized towards certain targets (young SMEs, export companies, etc...)
Equity (Public or Private)	Seed Capital	Seed/Start-up
	Venture Capital	Emerging growth
Debt financing	Bank loans	Emerging growth
	Guarantees	Development
	Public loans	Later stages

▪ **Good practices**

This **barrier is addressed directly in 22 of the 93 measures** deployed by INTERREG IVC projects that have focused on the theme Innovation Capacity of SMEs (24%).

Figure 9: Number of GPs per barrier and per *project* shows that most of the GPs identified by the projects MINI-EUROPE and DISTRICT+ are related to this barrier.

Innovation vouchers

Of particular importance are the **innovation voucher schemes** as they are typically **a similar solution to a common challenge**. Three of the seven projects analysed have identified successful innovation vouchers:

- PERIA²³
 - **Innovation voucher**
- DISTRICT+
 - **R&D card**
- MINI-EUROPE
 - *Innovation vouchers*²⁴
 - **Innovoucher**

***Innovation vouchers** are all very **similar** and appropriate for a regional policy practitioners wishing to address the **small-scale financial needs of SMEs** seeking to undertake **innovation projects with service providers**, typically from the public research sector. They can have positive impact in the short term.*

These vouchers, characterised by small, lump-sum grants, have become increasingly popular across Europe as a simple way to fund innovation in SMEs. They typically facilitate liaison between private enterprises (notably SMEs) and external knowledge/research providers (universities, R&D service providers or private consultants), in a small-scale approach targeted to the needs of individual companies. These schemes succeed in reaching out to substantial numbers of non-innovating companies enabling them to undertake innovation activities. This especially includes, companies with a limited track record in making use of government support for innovation and lacking research capabilities. Therefore, these **innovation vouchers**, by directly paying the service providers, actually **address** not only the **lack of financial resources** issue but also the **'lack of internal research'** and **'weaknesses in networking'** barriers.

Furthermore, **other INTERREG IVC projects from the Innovation Systems theme have also identified interesting vouchers schemes** such as *Transfer BONUS* from the project KNOW-MAN²⁵ or *Innovation vouchers*²⁶ from the project INNOPOLIS.

²³ GPs described in the PERIA Good Practice Report : <http://www.peria.eu/>

²⁴ GP described in the Mini-Europe Good Practices Catalogue: <http://interreg-minieurope.com/>

²⁵ GP described in the Know-Man Good Practices report: <http://www.know-man.eu/>

²⁶ <http://www.knowledgocities.eu/uploads/files/Deliverables/BPP-Innovation-vouchers.pdf>

Finally, it is also worth mentioning the action ‘**A European Label for innovation voucher programmes to support spin-in of technology**’ within Horizon 2020²⁷, which aims to assist the development of a **European label for innovation voucher** programmes that treat foreign European service providers equally to national ones. This will increase the range and quality of services available to SMEs, as well as strengthening international networking and accelerate the ‘spin-in’ of technologies and knowledge.

Examples of innovation voucher GPs demonstrating their similarities and differences:

- **Innovation Vouchers** (*Innovalis – Aquitaine, France*) in the PERIA project: the innovation vouchers help micro enterprises to start an innovation process by building up a first technological partnership with a service provider. The **maximum subsidy is €10 000** with an intervention rate of 50 to 80%. It can be used to finance a wide variety of services: technical feasibility studies, tests, product characterization, prototypes, market survey, technical state of the art, modelling, and first patent registration expenditures. The **service provider is paid directly** once the company has paid its share. **This GP is a nationwide programme** in France.

► **This GP has been adapted by the Veneto Region, Italy**, by introducing new rules into current calls of the operational programme.

- **Innovoucher** (*Hungary*) in the MINI EUROPE project: Innovoucher directly supports micro and small-sized enterprises to undertake innovative initiatives and increase supply and demand in the field of innovation services. Calls for proposals focused on innovation were financed from an Innovation Fund. The National Office for Research and Technology (NORT) launched a call for R&D services in the regions in which SMEs could apply. Észak-Alföld Regional Development Agency acted as an intermediary. The SME receives a **virtual budget of €100 000**. The innovation service provider delivers the service for the SME, and the invoice is sent directly to NORT with a short report on the work done. NORT **pays the bill directly to the service provider** until the SME’s budget is exhausted.

The scheme is simple and easy to implement and doesn’t really have any key factors associated with regional context. The only regional/country specific factor is the source of funding, which naturally must come from a regional/ national programme.

- **The R&D card** (*Västra Götaland, Sweden*) in the DISTRICT + project: the programme aims to support SMEs’ R&D investments by providing **funding to help companies clarify their R&D investment needs** (€3 500) as well as actual **R&D funding** (€50 000). The grant can be used to pay an external research provider from all over Europe. The application process is very simple and the programme marketing is highly efficient—both can be considered good practices.

► **This GP was successfully adapted in Lower Silesia (Poland) with ESF funds.**

Public grants, loans and guarantees

INTERREG IVC projects also focused on **public grants, public loans and guarantees**, mostly to fund **collaborative R&D activities, theme-specific R&D activities** (*Technological Environment Innovation Subsidy*) or **specific types of SMEs** (*Young Innovative Enterprises Contract*):

- MINI-EUROPE²⁸
 - *Technological Environment Innovation Subsidy*
- DISTRICT+²⁹
 - *Joint R&D call*
- PERIA²³
 - ***Young innovative Enterprises Contract***, with grants and public loans
- ERIK ACTION³⁰

²⁷ INNOSUP-4-2014 within the ‘Innovation in small and medium-sized enterprises’ Work Programme

²⁸ GP described in the MINI-EUROPE Good Practices Catalogue: <http://interreg-minieurope.com/>

²⁹ GP described on the DISTRICT+ website: <http://districtplus.it/>

³⁰ GPs described in the ERIK ACTION Good Practices Report : <http://www.eriknetwork.net/erikaction/index.html>

- o **FAME**, public/private entities managing national funds
- o **R&D funding scheme**, with grants, loans or guarantees
- o **Industrial Research Projects and pre-competitive development**

As in the case of the innovation vouchers, **grants supporting collaborative R&D activities** between SMEs and public research organizations are interesting because they also address other innovation barriers such as the lack of **internal research** and **weaknesses in networking**.

Examples of public grants, loans and guarantees GPs:

- **FAME** (*Alentejo, Portugal*) in the *ERIK ACTION* project: FAME is a public-private mechanism created to support micro-companies: It was structured and adapted according to the particular needs of councils in the Alentejo region. The objective of the mechanism was to stimulate investment in micro-companies in order to improve their products and/or services, facilities, equipment, and other necessary modifications. The mechanism also aimed to promote investment in developing strategic areas such as quality, new technologies, environment, security and hygiene.

The mechanism is applied through a partnership between ADRAL (the regional development agency), the council and a commercial bank, and provides companies with loans which must be paid back within 5 years. These loans are guaranteed by the council.

The key innovative features of the good practice lie in the fact that the councils have an active role in the process. With their wide knowledge of the territory and environment they can guide the fund to the most needed areas or sectors, take part in the evaluation of the projects and finance 50% of the eligible amount without interest. The different councils can also adjust the fund to their capabilities. The commercial bank also takes part in the evaluation process and finances the rest of the eligible amount (50%) with a special (low) interest rate.

► **This GP is now part of a national investment programme.**

- **Young Innovative Enterprise (YIE) Contract** (*Champagne-Ardenne, France*) in the *PERIA* project: The GP was developed by the Champagne-Ardenne Regional Council and addresses the shortage of financial resources of innovative start-ups by supporting them financially for the **first three years of their existence through loans**. The maximum support is €200 000, the first €10 000 to €100 000 to finance the start of the activity and another €100 000 to finance the various phases of the innovation project (industrial research/experimental development). Furthermore, **grants can also be allocated up to a maximum of €30 000 for consulting services** (training, advice on intellectual property rights, market research, technology transfer services, and technological assistance, etc.).

► **This GP was successfully adapted in Valencia via the creation of a new funding instrument.**

Venture capital funds

In addition to innovation vouchers and public grants, which are popular GPs within the projects and across Europe in general, INTERREG IVC projects have also addressed **access to Venture Capital (VC)** with:

- SMART+³¹
 - o *INNOFIN*, to improve the working skills of the people working in seed funds
- INNOHUBS³²
 - o *Business Accelerator*, for the promotion of private VC
 - o *Business Angel Network* to connect private investors to entrepreneurs
- MINI-EUROPE³³
 - o **Financial Engineering** for public/private VC
 - o *FLIIN* for public-private VC

³¹ Sub-project described in the Interregional SMART+ Charter for SMEs innovation and in the final brochure of the project: <http://www.smartplusinnovations.eu/?id=67>

³² GPs described in the INNOHUBS Guide Book to designing the future: <http://www.innohubs.eu/index.aspx>

³³ GPs described below or in the MINI-EUROPE Good Practices Catalogue: <http://interreg-minieurope.com/>

- DISTRICT+³⁴
 - o *Fondo Toscana* for public VC
 - o *Lower Silesia Trust Fund* for public VC
 - o *Mercia Fund Management* for public-private VC
 - o *SCCISME* for public-private VC
- INNOMOT³⁵
 - o *INGENIUM II* for public VC

One of the most relevant Good Practices concerning access to Venture Capital is:

- **Financial Engineering** (*Veneto Region, Italy*) in the *MINI-EUROPE* project: The practice consists of a synergic set of tools designed to foster investments in innovation in order to:

- Decrease the costs for innovative investments,
- Enhance SMEs' access to the credit system,
- Launch a venture capital fund for start-ups and companies at an early stage.

A well-balanced mix of financial engineering tools, focused on research and innovation, has been set up and launched. The financial engineering actions include three integrated tools:

- System of guarantee for innovative investments
- Revolving fund for SMEs innovative investment
- Venture capital and private equity fund

In line with the operating programme strategy, the regional authority has launched tenders to select and appoint external bodies to manage the funds. In all cases, a high level of experience as well as a spread system of local desks is required to give companies assistance as well as coaching. Another mandatory requirement for all of the tools is that the managing bodies are expected to provide an equal amount of private funds to be added to the public provision. Finally the mechanism is geared to feed itself, as the guarantee system as well as the revolving funds expect the money to be returned, and moreover, the venture capital fund is based on a reinvestments system.

- **This GP was used to improve financing methodologies in the Észak-Alföld Region, Hungary.**

3.2.2 Shortages in innovation, intellectual property and knowledge management skills

▪ **Challenge**

An adequate supply of skills in the workforce is obviously necessary for conducting innovation activities within SMEs; however, managerial skills play a similarly important role in order to properly manage the innovation cycle. Studies have shown that SME managers or those responsible for innovation activities may sometimes lack formal qualifications, which may inhibit their ability to conduct innovation activities, clearly evidencing a shortage of skills in innovation management within SMEs.

And while the proportions of firms identifying innovation skill shortages or inadequacies vary widely over countries and over time, they unanimously rank this in the top five barriers to innovation in SMEs. This has been the case in the following studies from different world regions:

- Results from the Fourth Community Innovation Survey in Europe³⁶, for example, showed that firms rank a lack of qualified personnel only below the cost of innovation and a perception that innovation involved excessive economic risks.
- A 2009 Canadian survey³⁷ found that 57% of world-first innovators judged a lack of skilled personnel to be an impediment for their activity.

This barrier to the innovation capacity of SMEs received most attention from the INTERREG IVC projects analysed, with 31 measures directly targeting this objective (32% overall). The different approaches followed by the projects in this regard have highlighted that **many skills may be needed**

³⁴ GPs described on the DISTRICT+ website: <http://districtplus.it/>

³⁵ GP described in the INNOMOT Good Practices Report: <http://innomot.net/>

³⁶ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-07-116/EN/KS-SF-07-116-EN.PDF

³⁷ [http://www.scienceadvice.ca/uploads/eng/assessments%20and%20publications%20and%20news%20releases/inno/\(2009-06-11\)%20innovation%20report.pdf](http://www.scienceadvice.ca/uploads/eng/assessments%20and%20publications%20and%20news%20releases/inno/(2009-06-11)%20innovation%20report.pdf)

for innovation, and that different mixes of skills are required at different times across the innovation spectrum. These mixes of skills are influenced by a series of factors, such as the stage of innovation, the type of innovation, and the industry structure, which are taken into account in the different projects.

▪ Good Practices

Coaching and Training

The large majority (28) of the GPs considered by the projects are related to coaching and training, because this is relatively easy to implement and can produce quick results, making it suitable for transfer and replication. INNOMOT has dedicated particular attention to this topic, in line with its focus on non-technological innovation. It has identified and shared 11 relevant GPs, with an emphasis on areas such as innovation management, creativity and design.

Table 8: GPs addressing the shortages of innovation skills via training or coaching

GP's focused on coaching	GP's focused on training
• INNOHUBS³⁸ - o <i>Innovation Stockholm</i>	• INNOHUBS³⁸ - o <i>Innovation Race</i> - o <i>KREO</i>
• INNOMOT³⁹ - o <i>Organisation Innovation</i> - o <i>Technical Commercial Service</i> - o <i>Individualized Analysis</i> - o <i>C2C</i> - o <i>Management Voucher</i>	• INNOMOT³⁹ - o <i>InnoCámaras</i> - o <i>Mindshake</i> - o <i>Creative trainer</i> - o <i>Soft Supports</i> - o <i>IMPIVA Dessiny</i> - o <i>Managers School</i>
• MINI-EUROPE⁴⁰ - o <i>Tameside Business Family</i>	• MINI-EUROPE⁴⁰ - o <i>HLS Pathfinder</i> - o <i>E-learning Plant</i>
• DISTRICT+⁴¹ - o <i>Pioneers</i> - o <i>Inno-Assistant</i> - o <i>MATIX</i> - o <i>Industrial Dynamics Networks</i> - o <i>Product Competence Center</i>	• DISTRICT+⁴¹ - o <i>KNOW-ECO sub-project</i>
• ERIK ACTION⁴² - o <i>TIP Coaching</i>	• ERIK ACTION⁴² - o <i>Innovation Cycle</i> - o <i>Parenthood</i>
• PERIA⁴³ - o <i>Incubation</i>	• PERIA⁴³ - o <i>New Products by Design</i>

³⁸ GPs described in the INNOHUBS Guide Book to designing the future: <http://www.innohubs.eu/index.aspx>

³⁹ GPs described in the INNOMOT Good Practices Report: <http://innomot.net/>

⁴⁰ GPs described below or in the MINI-EUROPE Good Practices Catalogue: <http://interreg-minieurope.com/>

⁴¹ GPs described on the DISTRICT+ website: <http://districtplus.it/>

⁴² GPs described in the ERIK ACTION Good Practices Report : <http://www.eriknetwork.net/erikaction/index.html>

⁴³ GPs described in the PERIA Good Practice Report : <http://www.peria.eu/>

Examples of GPs in training and coaching:

- ***Mindshake*** (Navarra, Spain) in the *INNOMOT* project: this programme promotes innovation and creativity in companies based on their real life experience. Once the company enters the programme, a mix of **training and consultancy** addresses their particular challenge in a practical way **introducing non-technological innovations** along the way. The different steps of the programme are:

- Initial diagnosis
- Two group sessions and five individual sessions with a private consultancy firm
- Monitoring of the businesses' development throughout the programme.

The first year was fully financed with ERDF funds, but for the second year, companies were asked to co-finance the programme.

- ***Parenthood*** (Flanders, Belgium) in the *ERIK ACTION* project: this programme proposes to professionalise the management of SMEs by organising **learning networks by and for entrepreneurs**. Large enterprises provide an innovation mentoring service to smaller ones. This is achieved through the organisation of training sessions on the level of day-to-day business operating. Participants are divided in groups, which meet on a monthly basis over a one or two year period. In addition to practical training, events offer networking opportunities. The Parenthood project approach is based on the following principles:

- Owner-manager focus**: Training sessions for company owners and/or managers.
- Network model**: The project forms business networks of large and small companies.
- Business-led**: The programme strategy is led by the local business community and responds to the unique circumstances of the commercial and industrial environment.
- Group development approach**: Maximising learning effect by capitalising on certain group dynamics.
- Sustained involvement**: The network meets regularly and guidance is provided between sessions.
- Locally based**: It creates a business to business environment in a regional context.

It is a flexible but simple concept. This GP has had **excellent regional results** with about **4 600 SMEs participating over a 10-year- period**. The majority of the participants have **increased business results after completing a Parenthood Project cycle**.

► This GP was successfully transferred to Lower Austria

Staff recruitment

Another approach is supporting SMEs to **recruit new staff**, thereby bringing new skills into the company in non-technological areas such as design or marketing. This approach has been addressed by:

*The **topic of Design**, and its relevance in terms of management skills for innovation, is taken on board by both MINI-EUROPE and PERIA, which shows its growing importance in terms of regional (non-technological) innovation policies.*

- MINI-EUROPE⁴⁰
 - **Summer Design Office**
- ERIK Action⁴²
 - *Trainee in TIME*

Examples of GPs in staff recruitment:

- **The Summer Design Office** (Sweden) in the *MINI-EUROPE* project: the *Summer Design Office* is now a **nation-wide programme in Sweden**. It was started in 1998 as a way to **bring companies and students together** and forge new influences on companies via students studying different disciplines. Until 2010, the programme had been conducted in more than 130 municipalities in Sweden, supporting approximately **800 companies**.

An office runs for seven weeks in the summer. The planning starts in March with discussions concerning location, financing, companies, and students. After the summer, there are follow-up and reporting activities. The target is to raise awareness of design as a means for SMEs to develop their business. The students are selected annually via a database of at least 350 students from all over the world (mostly Swedes). The selection of students depends on the type of company. If the company continues to use the design, they have the option to employ the student or contact other consultancy firms. Each local design project costs €75 000 for the cost of the office, material, phones, cars, documentation, including salaries for Project manager, Supervisor, and eight students for seven weeks.

This GP has a lot in common with 'Summer Entrepreneur' (also a GP from MINI-EUROPE), but is aimed at **overcoming SME weaknesses in terms of design skills**: it is relatively **easy to implement on a small scale, within a short time-frame and within controlled resources**. It addresses a target audience and targets a specific topic (in this case, the design of new products). Its success is however harder to measure: while the success of 'Summer Entrepreneur' can almost instantly be measured by the number of new ventures created (even if many never get off the ground), the launch of new products based on design is dependent on longer life-cycles, and companies are more reluctant to release information on it. Nevertheless, it is still **a good example of what a transferable GP should be, in terms of scale, duration and means of implementation**.

► This GP was successfully transferred to NW England

Virtual Enterprises and Organisation

Finally, one GP from ERIK ACTION⁴² was particularly innovative in its response to this barrier: the *PRAI/VINCI* GP aimed to **promote Virtual Enterprises and Virtual Organisation** as an instrument for the creation and managements of clusters leading enterprises to share skills and competencies more easily. This GP **also addresses weaknesses in networking**.

A unique GP about virtual enterprises

- **PRAI/VINCI** (Tuscany, Italy) in the *ERIK ACTION* project: VINCI aimed to promote the Virtual Enterprise / Virtual Organisation as an instrument for the creation and management of clusters, thus strengthening the competitiveness of the main industrial systems in the Tuscan economy.

A **Virtual Enterprise (VE)** is a **temporary alliance of enterprises** that come together to **share skills** or core competencies and **resources** in order to **better respond to business opportunities**, and whose **cooperation is supported by computer networks**. It is a manifestation of Collaborative Networks and of Virtual Organisation (VO: a productive organisational entity that uses telecommunication tools to enable, maintain and sustain members' relationships in distributed work environments).

The VE/VO was tested particularly in the field of technological innovation and technology transfer, which, in a system of micro-firms such as Tuscany, represents one of the weakest links in the value chain.

The Programme offered four action lines:

- Analysis and design of VE/VO models in specific sectors of the regional industry and dissemination of results;
- Experimentation, through pilot projects, of associated models of an innovative nature which develop forms of virtual cooperation;
- Modelling, inter-regional comparison, mainstreaming of the results;
- Guidance, monitoring, technical assistance.

3.2.3 Insufficient marketing of innovation

▪ **Challenge**

Inside innovative companies, marketers play an important role within a series of (new) cross-functional teams that are creating ideas, screening ideas, developing concepts, launching new products and managing current and innovation portfolios that maintain alignment with the company strategy. Armed with a strong business strategy that includes well-defined value-maximisation goals and a clear innovation road map, marketing managers ensure their teams are acutely aware of the business and company growth initiatives and that sales, R&D and customer service teams have the necessary tools and are well-trained in value management and innovation best practices. However, most SMEs do not have the means or the knowledge to adequately market their innovations, in particular towards two essential markets for growth: public markets (through public procurement) and international markets.

▪ **Good practices**

This barrier has been directly addressed by 11 GPs and other policy actions of the 93 measures deployed by the INTERREG IVC projects that have focused on the theme Innovation capacity of SMEs (i.e. 12%).

Support for the internationalisation of SMEs

About half of these practices are aimed at supporting the **internationalisation of SMEs**, through means such as **providing information, supporting participation in trade fairs or international business visits** (typical similar solutions to a common challenge). Three of the seven projects analysed have identified successful internationalisation GPs:

- INNOMOT³⁹:
 - **IVEX**, to help SMEs to apply to international public procurements
- MINI-EUROPE⁴⁰:
 - **I-CREO**, brings an expert within each SMEs' network to seek new business opportunities
 - **RURCED**, to support cross-border marketing opportunities
 - **World Trade Center Almere**, where all international services are available to stimulate international entrepreneurship and innovation
- PERIA⁴³:
 - **International Cooperation Visits**
 - **Foreign Trade Fairs**

It is very interesting to note the GPs that tackle the challenge differently, in such a way as **IVEX** or **I-CREO**. The **IVEX** GP focuses on helping SMEs apply to calls for tender from international organisations (International Public Procurement). It is **the only GP that addresses public procurement** as a means to addressing the insufficient marketing of innovation. **I-CREO** is original insofar as it introduces an expert directly to the supported SMEs network to help them find new business opportunities and to define their innovation strategies.

The most relevant GPs with regard to the internationalisation of SMEs:

- **I-CREO network** (Valencia, Spain) in the MINI-EUROPE and PERIA projects: a programme aiming to **offer support to business associations (clusters) formed by SMEs**, through the hiring of **innovation experts** in order to **seek, propose and bring new business opportunities** to fruition, including in export markets. In Valencia the Institute for Small and Medium Industry of the Generalitat Valenciana (IMPIVA), which is a public entity of the Generalitat Valenciana region, attached to the Ministry of Industry, Trade and innovation created I-CREO. It was implemented to tackle the lack of innovation culture mainly in the SMEs of the Valencia Region and their relatively low competitiveness in the European and global markets. The goal of I-CREO was to create a think tank and a network of debate formed by a group of experts for each of the main industrial sectors of the Valencia Region. The function of the network was to identify and promote business opportunities and to gather essential information in order to start up innovation strategies in each of the sectors.

► **This GP is being implemented in Western Greece**

- **IVEX- Multilateral procurement programme** (Valencia, Spain) in the INNOMOT project: IVEX designed and implemented a programme dedicated to helping companies to conduct business with multi-lateral organisations (such as United Nations funding programmes or EuropeAid) that fund projects and procure goods and services in international markets. Assistance is provided in two different phases:

- i) Inception: information, analysis and evaluation, validation and strategy design and
- ii) Operational assistance in Spain and in selected countries: Market selection and management. Information is provided to companies through a website containing business opportunities, reports on the business environment and selected sectors such as water, energy, construction in 22 countries.

At a strategic level, IVEX has designed and implemented a training programme, which provides assistance to companies new to external markets, through seminars and workshops, cooperation sessions and business missions to the multilateral organisations' head offices and the target countries. Finally, at operational level, support in the management of projects can be provided via the network of IVEX delegations abroad and in Spain and experts in international public procurement.

- **Foreign Trade Fairs** (Saxony-Anhalt, Germany) in the PERIA project: the purpose of the programme is to make it possible for SMEs to participate in a foreign trade fair and thereby strengthen their market position. Eligible costs include stand space, the catalogue entry, printing and translation costs for information and marketing material and travel costs. The maximum rate of contribution under this scheme is 60%, and the maximal amount of the granted subsidy is €9 000. Expenses must be approved by federal and state government and support for attending trade fairs is limited to three applications per company per year. The scheme is simple to transfer and to implement and offers good potential impact on SME business growth. It is currently implemented by the Investitionsbank in the Saxony-Anhalt region of Germany, with 100% ERDF funding. It is focused on facilitating internationalisation opportunities for SMEs, and it is a purely transnational initiative, relatively easy to implement – including at transnational level with cooperation from several regional agencies – and with high potential impact on SME innovation and growth.

► This GP was successfully transferred to Hungary by adapting new rules in current national calls.

Innovative marketing tools

A surprising finding is the **lack of GPs addressing this barrier via innovative marketing tools**. Only the INNOHUBS and the SMART+ projects promoted GPs offering, among other services, training courses and consultancy in innovative tools for SMEs:

- INNOHUBS³⁸
 - o *Innovative Workshops*
 - o *SIGNAL*
- SMART+⁴⁴
 - o **IART Territories sub-project**

The marketing of innovation can also be supported through a positive image of the company. Two projects focused on the **promotion of Corporate Social Responsibility** in a local or regional territory in order to improve local **SMEs' competitiveness**:

*The **IART Territories sub-project** from SMART+ directly supported tourism companies to create **innovative products**, to develop an **international marketing plan**, to establish a **web presence** and to enhance their **digital skills**.*

- ERIK ACTION⁴²
 - o **Fabrica Ethica**
- INNOMOT³⁹
 - o *Impresa Ethica*

⁴⁴ Sub-project described in the Interregional SMART+ Charter for SMEs innovation and in the final brochure of the project: <http://www.smartplusinnovations.eu/?id=67>

Interesting GPs concerning innovative marketing tools are:

- **The IART Territories** *sub-project in the SMART + project:* the SMART+ sub-project promoted the **creation of a network of tourism companies** that collaborate to **create innovative products** based on the endogenous resources of the territory and with **responsible tourism as a guiding value**. To achieve this objective, partners acted as a consortium leader for micro-companies from the tourism sector in their regions, in order to assist them in **developing an international marketing plan**, in **establishing a web presence** and in enhancing their **digital skills**. The target was well-defined, and real added-value services were deployed at local level for the final beneficiaries. This was a small-scale measure with a good potential reach. It should be noted that while several programmes and measures exist in many forms across Europe to assist SMEs with the transition towards a digital economy, many small and micro-companies do not have the resources to access or implement them on their own. A targeted project where partners act as consortium leaders for groups of such companies, such as in IART Territories, is one of the best ways to assist them.
- **Fabrica Ethica** *(Tuscany, Italy) in the ERIK ACTION project:* together with Tuscan SMEs, Fabrica Ethica has constructed a production process that makes the regional economy more competitive and able to differentiate its production on the basis of material and immaterial quality. Fabrica Ethica hinges on the **respect for workers, consumer rights** and the **environment**. It encourages an approach based on continuous improvements which **anchor CSR in SME strategies and management systems**. The programme covers 50% of SMEs' costs with environmental certification, supports specific projects to spread CSR in industrial districts, facilitates access to micro-credit, as well as disseminates information and CSR practices through a website.

3.2.4 Lack of internal research and technological capabilities

▪ **Challenge**

Innovative capabilities for SMEs depend on both their ability to exploit external knowledge and on their in-house R&D efforts. In this respect, SMEs are facing two important challenges.

Indeed, the vast majority of SMEs do not take the risk to carry out in-house research as the process of generating new technologies is becoming more and more complex. As a result, SMEs often lack adequate research and technological capabilities to do so. Increasing quantitatively and qualitatively in-house research in SMEs remains a key challenge for European innovation capacities. Two evident ways to achieve this are for SMEs to hire technically qualified staff and to strengthen their own in-house research facilities.

In this context, SMEs are increasingly dependent on external sources of technology and must benefit from external research and knowledge in order to stay competitive. This means that technology transfers are becoming particularly key to SMEs, and that SMEs require assistance from intermediaries for technology transfer.

▪ **Good practices**

This barrier has been directly addressed by eight GPs and other policy actions of the 93 measures deployed by the INTERREG IVC projects that have focused on the Innovation capacity of SMEs (9%). The main focus has been on GPs addressing **technology transfer** from academia and research institutions to industry as well as on GPs addressing the **recruitment of research staff**.

There were also four INTERREG IVC sub-projects addressing technology parks (one from SMART+ and three from District+), but these are not the focus of this report and are dealt with by the 'Innovation Systems' report.

Technology transfer promotion

Three projects identified GPs related to the **promotion of technology transfer** and **support to spin-off** and start-up companies:

- ERIK ACTION⁴⁵
 - o **Campus:** Technological Transferability and Business Support
 - o *TT Andalusia*: Technology Events to promote technology transfer agreements between companies and university
- DISTRICT+⁴⁶
 - o *Net of Competence*: Universities and enterprises network to increase technology transfer
- MINI-EUROPE⁴⁷
 - o **Genomnanotech:** Setting up of a technology transfer office and innovation management system

The traditional model of technology transfer is the push model where public research organisations find companies to use the developed technologies or create spin-off companies. The uses of their networking and technology transfer events are the most common tools. The *Campus* GP goes further than the technology transfer agreements (*TT Andalusia*) as it provides support to the newly created companies and helps them during their seed and start-up stages by providing them with advisory and capital services.

⁴⁵ GPs described in the ERIK ACTION Good Practices Report : <http://www.eriknetwork.net/erikaction/index.html>

⁴⁶ GPs described in the project's final publication and on the DISTRICT+ website: <http://districtplus.it/>

⁴⁷ GPs described below or in the MINI-EUROPE Good Practices Catalogue: <http://interreg-minieurope.com/>

The most relevant GPs concerning technology transfers are:

- **GENOMNANOTECH Regional Knowledge Centre (Észak-Alföld, Hungary) in the MINI-EUROPE project:** The Hungarian government came to understand that the subsidisation of innovation oriented R&D at universities is very important. The commercialisation of these R&D results is essential as well. With the support of 'Pázmány Péter Programme', the industry and universities can cooperate and develop products/services/technologies together. This increases the regional and national competitiveness of the country. **GENOMNANOTECH Regional Knowledge Centre** (GND RKC) has been launched as a result of a competitive call for proposals published by the National Office for Research and Technology (NORT) in 2004. In this project, 16 companies carry out applied research together with researchers from the University of Debrecen, one of the most rapidly developing knowledge centres of the Eastern-Central-European region. Results include:

- o Installing **an innovation management system**, including a project evaluation system at the University of Debrecen;
- o **Setting up a Knowledge and Technology Transfer Office** at the University of Debrecen, which became a significant player of the innovation system in Hungary;
- o **Enhancing R&D intensive investments** in the Észak-Alföld region in cooperation with Innova.

► **This GP was used as a model by Veneto Innovazione to establish a regional technology transfer office (Italy).**

- **Campus (Andalusia, Spain) in the ERIK-ACTION project:** CAMPUS was launched in 2004 by the Andalusian Government and managed by IDEA (public institution in charge of economic development and business promotion for the Andalusian Regional Government) to **promote technology transfer from the knowledge system to industry by consolidating technology-based spinoffs**. The initiative provides **financial instruments to support those spinoffs** with huge growth potential that are capable of generating new products, technology or services from research results. It also **facilitates a link between universities and businesses, converting scientific knowledge into economic activity**, and leading to the **creation of a network for business start-ups and knowledge transfer**. Since March 2005, 121 projects have been supported, and Andalusia is now considered the first Spanish region for fostering this type of company. The call for proposals is constantly open and many ideas and business plans are received for evaluation.

The success of *CAMPUS* is largely due to collaboration between the agents that integrate the itinerary for the consolidation of a spin off, with Universities and Research Centres. Other key features are the complete and professional assessment of the projects and the joint monitoring of companies.

The main stakeholders involved in the Campus Programme are: IDEA as the manager of the initiative, the Capital Investment and Risk Management company of Andalusia INVERCARIA, which is the first venture capital company at regional level and is 100% owned by IDEA, and collaborating entities composed of the universities of Andalusia, CSIC (Spanish Council for Scientific Research), CTAP, FIBA, ISAPA and FSP.

► **This GP was transferred to the Alentejo region, Portugal, by integrating it into the FAME GP (§3.2.1.), thus demonstrating synergies between GPs from different regions.**

Human resources solutions

The other popular GPs concerned **human resources** and how to **introduce technological competences** within SMEs:

- ERIK ACTION⁴⁵
 - o *Innovation assistant, to support newly graduated employment*
- INNOMOT⁴⁸
 - o *Bioenergy for the region, to build cooperation between PhD students and companies*
 - o *Innovation assistant, to support newly graduated employment*
- PERIA⁴⁹
 - o *Creation of R&D departments, to support the hiring of research staff*

Innovation assistant is an excellent example of a **GP transferred multiple times**. The initial GP was created in Lower Austria in 2002. It is described in the ERIK ACTION project (see below). No fewer than **six partners were interested** in some aspects of this particular GP. It was **transferred to an observer region**, the Opole Region, during the course of the ERIK ACTION project **and to another region** with no apparent ties to the ERIK ACTION Project: the Lodz Region (implemented in 2011). The transferred GP was **then described in the INNOMOT project** by the Lodz Region. This shows **good transferability** as well as **opportunities for bilateral exchange of Good Practice**.

This type of GP has also been described in the UNICREDS⁵⁰ project from the Innovation Systems Theme: *Unlocking Cornish Potential - Graduates for Cornwall's businesses*. Similarly to *Innovation assistant*, it aims at promoting the employment of recently graduated staff in SMEs with no or little experience with graduate employees. It is not limited to technological fields but also includes marketing, website and e-commerce development and product design.

The *Creation of R&D departments* GP from PERIA helps SMEs to recruit new staff in R&D. A similar GP was found in the Cross Innovation⁵¹ project: *Technological Promoters for Innovation* via an innovative financial instrument and support for new staff identification.

GPs addressing access to finances via **grants for collaborative R&D activities** (section 3.2.1) also address the lack of internal research and technological capabilities.

⁴⁸ GPs described in the INNOMOT Good Practices Report: <http://innomot.net/>

⁴⁹ GP described in the PERIA Good Practice Report : <http://www.peria.eu/>

⁵⁰ GP described in the UNICREDS final report : <http://www.unicreds.eu>

⁵¹ GP described on the project's website: <http://www.cross-innovation.eu/>

The most popular GP:

- ***Innovation Assistant (Lower Austria) in the ERIK-ACTION project:*** *Innovation Assistant* responds to the **need to strengthen technological and innovation competence in regional SMEs**, especially smaller firms and SMEs in rural areas. These target groups suffer from a lack of highly qualified staff, caused due to the long distances from educational organisations, fear of contacting R&D institutions and the perceived less attractive location of the company. *Innovation Assistant* stimulates SMEs to employ recently graduated staff in order to overcome these barriers. Innovation Assistants are employed for a definite project and funded for a maximum of 15 months. The action is open to SMEs of all sectors of industry and industry-related services. The support consists of 4 pillars:

- o Grant for the labour costs of the innovation assistant;
- o Mandatory training of the innovation assistant by a specially designed post-graduate training programme established at the Donau University Krems;
- o Grant for the project and innovation assistant-related consultancy;
- o Accompanied monitoring/evaluation of project by an external consultant.

Innovation Assistant is now a **key tool in the regional innovation system** and has been **mainstreamed into the Regional Operational Programme**.

- ▶ It inspired six partners within the project.
- ▶ This GP was transferred to the Opole Region, Poland, an observer region, and to the Lodz Region, Poland, not involved in the project.
- ▶ The Lodz Region, Poland, later described it in the INNOMOT project.

3.2.5 Weaknesses in networking and cooperation with external parties

▪ Challenge

The importance of networking and cooperation with external parties is highly relevant to SMEs as they have limited resources and can benefit from networking to find innovation or business partners, mutualising resources, obtaining greater visibility including international visibility.

However, networking and cooperation is not a natural process for firms, and SMEs seem to be even less likely to engage in relationships with other companies, research and educational organisations than larger companies, as shown by the Innobarometer Analytical Report in 2009. According to the same survey, SMEs also lag behind in the field of international cooperation, with 38% of medium-sized firms and 27% in the smallest segment having international activities to support their innovation.

▪ Good practices

This barrier has been directly addressed by 20 GPs and other policy actions of the 93 measures deployed by the INTERREG IVC projects that have focused on the theme Innovation capacity of SMEs (i.e. 21%). The main focus has been on GPs addressing **cluster management, cluster creation, cluster internationalisation** and examples of **various network types**.

The SMART+, MINI-EUROPE and ERIK ACTION projects have most actively tackled this barrier with four GPs each.

Support to cluster management improvement, cluster internationalisation and cluster creation

Most GPs addressed services to support **cluster management/development improvement**:

- SMART+⁵²
 - o *regioNet*, sub-project to improve network/cluster management
 - o *SMEsGoNET*, sub-project for clusters development

⁵² Sub-projects described in the Interregional SMART+ Charter for SMEs innovation and in the final brochure of the project: <http://www.smartplusinnovations.eu/?id=67>

- MINI-EUROPE⁵³
 - o *Productive Clusters*, to foster and support the development of productive clusters
 - o *Cluster Support Environment Model*, focusing on the physical infrastructure requirements of a cluster
 - o *Regional Innovation Pole of Western Greece*, to improve the technological and innovation performances of local SMEs
 - o *The Hungarian Pole Programme*, to improve cluster development including export
- DISTRICT+⁴⁶
 - o *Cluster Initiative Lower Silesia*, to support cluster development including internationalisation
 - o *Innovation Poles*, to promote innovation processes within the business system
- PERIA⁴⁹
 - o *Cluster Management Services*, to strengthen cooperation between cluster members

MINI-EUROPE particularly focused on GPs related to cluster management improvement with three of them adapted to other regions (annexe 3). Concerning SMART+, sub-projects such as *regioNet* and *SMEsGoNet*, which address the management of existent clusters, have exploited the role of clusters as 'innovation eco-systems' so as to implement innovative pilot projects and experimental actions targeting SMEs. This has been achieved in particular through interactive policy learning between policymakers (the sub-project partners).

Interesting GPs concerning cluster developments:

- **SMEsGoNet** *sub-project in the SMART + project*: this sub-project targeted SMEs and HE & Research from the life sciences and related sectors. It had two main objectives: it aimed to increase the capabilities of **cluster-type initiatives** to define and manage joint initiatives that increased the competitiveness of its members, both local and globally. Secondly, it aimed to increase the **capabilities of individual SMEs and R&D institutions to effectively collaborate within local and international networks**, to apply the **open innovation** concept in order to professionally leverage the diversity of resources available in the network and to strategically manage business innovation processes, including those related to learning and managing knowledge assets.
- **Cluster Support Environment Model** *(NW England) in the MINI-EUROPE project*: This good practice has been developed based on activity undertaken by the Sixth Framework Programme (CLUNET project). This involved the mapping of cluster policies in the 16 CLUNET regions and the identification of policies that support fast-growing clusters, focusing on themes such as the **internationalisation of cluster SMEs** and **incubation**. At the various stages in the growth of a business, it needs different types of premises and related business support. Start-up businesses may either require space in an incubator or in managed workspace depending on the technical complexity of the business and the cost of the specialist equipment and facilities it needs in its early growth phase. As a business becomes successful and expands it will need to move to larger premises and may have less need for specialist equipment to be provided as part of the location package. Again, depending on the technical complexity of the business it may need to move to a grow-on facility and then to a science park before locating to a business park. Businesses with less technical requirements may be able to move straight to a business park. When considering the needs of businesses in a particular cluster, it is essential to ensure that the right combination of the different types of premise is available in the right locations within the boundaries of the cluster. This will **enable businesses to remain within the cluster as they grow and expand**. A handbook on how to bring clusters up to an international level was developed during the project and translated for the region interested in importing the GP.
 - ▶ **This GP lead to cluster development improvement in the Észak-Alföld region, Hungary.**

⁵³ GPs described below or in the MINI-EUROPE Good Practices Catalogue: <http://interreg-minieurope.com/>

Cluster internationalisation is typical of cluster development, and most GPs will take this aspect into account (*Cluster Initiative Lower Silesia* from DISTRICT+ for example); one sub-project addressed this particular point, the *NICER (Network for the Internationalisation of Cluster Excellence Regions)* sub-project of the DISTRICT+ project. It focused on both the **foreign investment in firms from local clusters** leading to cluster upgrading and innovation as well as on the **internationalisation of the firms** within the clusters to develop new markets:

- DISTRICT+⁵⁴
 - *NICER, Network for the Internationalisation of Cluster Excellence Regions*

Cluster internationalisation via foreign investment:

- **Cluster and Foreign Investment Dovetailing** (*West Midlands, United Kingdom*) in the *NICER sub-project (DISTRICT+ project)*: this GP aimed at increasing foreign direct investment (FDI) within the local cluster firms by embedding the attraction of FDI into the regional development strategy, achieved by dovetailing the attraction of FDI with the regional cluster policy. The attraction of FDI was aimed to strengthen existing regionally embedded clusters favouring technology anchoring, upgrading and diversification. The regional development agency (AWM) had a clear policy objective of identifying, targeting, and responding effectively to knowledge-driven international investors in the region. Key to this was an **understanding of the position of the regional clusters in the global value chain** so as to **attract investors with the ability to raise the competitiveness of the regional clusters**.

SMART+ sub-projects, *smart Tourism* and *TREC*, have addressed the issue of **creating clusters in specific sectors** (tourism and renewable energies, respectively) as a way to foster sustainable cooperation among companies.

GPs addressing **cluster creation** included:

- SMART+⁵²
 - *smartTourism*, for the creation of a tourism cluster
 - *TREC*, for the creation of a transnational renewable energy cluster
- ERIK ACTION⁴⁵
 - *SIDEUM*, to develop a triple helix cooperation (academia, public and business sectors)

One the most relevant example of GP concerning cluster creation is:

- **TREC (Transnational Renewable Energy Cluster)** *sub-project in the SMART+ project*: this sub-project aimed at creating a cluster by setting up two regional clusters (Cluj, Romania and Western Macedonia, Greece) and by benefitting from the members' experience and the GPs transferred from the existing renewable energy clusters and networks from Saxony, Germany. The sub-project promotes collaboration and cooperation between SMEs, RDI institutions and local authorities within the future TREC. The further development of the cluster will be achieved through the designing of a joint development strategy along with a concrete Action Plan. They will be the product of the synergies created based on SMEs needs, networking activities, between the project partners but also between cluster members. The actions will support energy-related initiatives by further identifying funding opportunities and engaging the involvement and commitment of local and regional authorities to uptake aspects related to the utilisation of renewable energy sources into local and regional development policies.

► **This sub-project is a good example of how GPs from a partner can be used to create a new cluster.**

⁵⁴ Sub-project described in the project's final publication and on the DISTRICT+ website: <http://districtplus.it/>

Facilitation of business networks

Finally, the other GPs addressed the creation and **facilitation of business networks**:

- INNOHUBS⁵⁵
 - o **Innovation Regional Network**, network of innovation intermediaries
- INNOMOT⁴⁸
 - o *Future Food network*, to support innovation in the food sector
 - o *Shops by hand*, to improve the retail trade in rural and touristic areas
 - o *Packaging arena*, to support innovation in the packaging sector
- ERIK ACTION⁴⁵
 - o **Wood sector innovation**, to support innovation in the wood sector
 - o *RDT Bretagne*, network of innovation intermediaries

Some of the **networks**, such as the *RDT Bretagne* GP, are more closely **related to innovation systems**. This GP draws on a pool of one hundred advisers (technological or generalist) to visit SMEs, identify needs and support them throughout the setting up and management of innovative projects. This GP was also identified and promoted by PERIA, and the *Innovation Regional Network* GP from INNOHUBS is closely related.

*GPs addressing weaknesses in networking are sometimes **related to the Innovation Systems theme**. It is the case for RDT Bretagne or Innovation Regional network as **they promote networking between innovation intermediaries**.*

The other networks' GPs promoted by the projects are specific to various sectors such as the wood industry, packaging or agribusiness. They demonstrate that regional organisations can act as facilitators to increase SME participation in networks and cooperation.

⁵⁵ GPs described in the INNOHUBS Guide Book to designing the future: <http://www.innohubs.eu/index.aspx>

Two different kinds of network to support innovation:

- **The Innovation regional Network** (Loures, Portugal) in the *INNOHUBS* project: this network was established in 2009 and connects organisations that support business innovation processes and internationalization such as economic development agencies, universities, investors and aspiring entrepreneurs. Its purpose is to “develop and prioritise new policies that promote and support local innovation”. The benefit of the Network is improved support for local businesses in an area of critical importance: business innovation.

► **This GP was transferred to Ballerup, Denmark**

- **Wood Sector Innovation** (Western Macedonia, Greece) in the *ERIK-ACTION* project: this GP focused on improving innovation capacity in the wood sector, a sector of great importance for the regional economy. This action promoted innovation in the wood sector at a time when the industry was static and limited or where no development was underway. The following actions were undertaken:

- o A call for proposals for five pilot projects in SMEs operating in the sector to be assisted with the development of new products and / or methods in their work.
- o Development of the above-mentioned pilot projects in the selected SMEs.
- o Development of a mechanism to monitor the action, to analyse parameters regarding the development of new products in the sector, to develop know-how and to systematise knowledge.
- o Diffusion of results to other SMEs operating in the wood sector.

One innovative feature was the special cycle of three informative seminars in which companies participated. In this context, everybody had the opportunity to discuss their business and any problems or obstacles they were facing. Lectures were given by the expert staff of the Department of Wood and Furniture Design and Technology. Simultaneously, expert scientists visited companies, so as to analyse and address problems in their production line and to identify potential solutions.

► **This GP was transferred to the Banska Bystrica Self Governing Region, Slovakia**

3.2.6 Summary of the most relevant Good Practices

Overall, it is clear that the seven INTERREG IVC projects in the theme of Innovation Capacity of SMEs address all the relevant barriers in terms of the innovation needs of SMEs.

Table 9 presents an overview of some of the most relevant Good Practices and sub-projects from the seven projects analysed.

Table 9: Relevant Good Practices presented as solution to the problems/barriers faced by SMEs

Barriers to the Innovation Capacity of SMEs	Approach / Solution most commonly used by INTERREG IVC projects	INTERREG IVC projects	Highlighted Good Practices/Sub-projects	Description	Relevance*
Lack of Financial Resources	Vouchers	MINI-EUROPE PERIA DISTRICT +	<i>Innovoucher Innovation Vouchers R&D cards</i>	Typically, small-scale (often up to €25K) for provision of external technical services (§3.2.1).	Very high
	Venture Capital Funds	MINI-EUROPE	<i>Financial Engineering</i>	Financial engineering involving guarantees, revolving funds and venture capital funds (§3.2.1).	High
	Public Grants, Loans and Guaranties	PERIA	<i>Young Innovative Enterprise Contract</i>	Public loans for young innovative enterprises and public grants for consulting services (§3.2.1).	High
	Private/Public Loans	ERIK-ACTION	<i>FAME</i>	Bank loans for innovation projects ensured by guarantees from regional authorities (§3.2.1).	High
Shortage in skills	Innovation Management	ERIK-ACTION	<i>Parenthood project</i>	Professionalise SMEs management by organising learning networks by and for entrepreneurs (§3.2.2).	Very High
	Creativity	INNOMOT	<i>Mindshake</i>	Coaching in creative product development (§3.2.2).	High
	Design	MINI-EUROPE PERIA	<i>Summer Design Office New Products by Design</i>	Promotion of cooperation between design students and SMEs (§3.2.2).	Very high
	ICT	ERIK-ACTION	<i>PRAI/VINCI</i>	Support for the setting up of Virtual Enterprises based on ICT models (§3.2.2).	Medium
Insufficient marketing of innovation	Internationalisation	PERIA	<i>Foreign Trade Fairs International Coop Visits</i>	Co-Support in foreign trade fairs and organisation of entrepreneurial missions abroad (§3.2.3).	Very High
	Internationalisation	PERIA & MINI-EUROPE	<i>I-Creo</i>	To identify innovation opportunities through a network of professionals working as a think tank (§3.2.3).	High
	Corporate Social Responsibility	INNOMOT ERIK-ACTION	<i>Fabrica Etica Impresa Etica</i>	Support for Corporate Social Responsibility as a marketing of innovation tool (§3.2.3).	Medium
	Digital Marketing	SMART+	<i>IART Territories</i>	Assisting micro-firms from the tourism sector in developing web-sites for international sales (§3.2.3).	High
Lack of internal research capabilities	Public Procurement	INNOMOT	<i>IVEX</i>	Support for participation in international procurement processes from multilateral organisations (§3.2.3).	Medium
	Technology Transfer	ERIK-ACTION MINI-EUROPE	<i>Campus Genomnanotech</i>	Technological Transferability and Business Support. Innovation Management System and Technology Transfer Office (§3.2.4).	Medium
	Incorporation of new staff	PERIA ERIK-ACTION & INNOMOT	<i>Creation of R&D units Innovation Assistant</i>	Support for hiring research staff (§3.2.4).	High
	Cluster management	MINI-EUROPE	<i>Cluster Support Environment Model</i>	Clustering physical infrastructure requirements to facilitate growth and internationalisation (§3.2.5).	Medium
Weaknesses in networking and cooperation	Cluster policies	SMART+	<i>SMEsGoNet</i>	Clustering management activities supporting the internationalisation and R&D cooperation (§3.2.5).	Medium
	Cluster internationalisation	DISTRICT+	<i>Cluster and Foreign Investment Dovetailing</i>	Support for foreign direct investment within cluster firms and internationalisation of cluster firms (§3.2.5).	Medium
	Cluster Creation	SMART+	<i>TREC</i>	Creation of a transnational renewable energy cluster (§3.2.5).	Medium
	Creating and facilitating business networks	ERIK-ACTION INNOHUBS	<i>RDT Bretagne Innovation Regional Network</i>	Networks of intermediate agents to support innovation (§3.2.5).	Very High
		ERIC-ACTION	<i>Wood Sector Innovation</i>	Promotion of innovation within a traditional sector (§3.2.5).	Medium

*In terms of replication potential towards other regions

3.3 Mainstreaming Good Practices

One of the goals of the Capitalisation analysis is to mainstream GPs to other European Regions. All the projects agree on the fact that transferring a GP is a mutual learning experience, requiring face-to-face meetings along with knowledge and understanding of each other. Every project detailed at length the various opportunities and obstacles to transferring GPs, as well as all the transfer steps they took.

In general, the different steps for GP transfer are:

- Effective benchmarking and policy watch/monitoring mechanisms to identify successful approaches at a global scale and the means to disseminate them to other parties
- Access to support and assistance for the implementation of external GPs
- Bilateral meeting or partnering fora / platforms

The stakeholders involved, as well as the timing of the transfer are critical factors. Indeed, projects mention that the **stakeholders** wishing to implement an external GP **need to have the political and financial independence** necessary to do so:

- Involvement of the Managing Authority from the very beginning and continuously throughout the project
- Identification of several sources of funding

They also need to be well-timed so as to fit with political and funding cycles. It has been noticed by the projects that the opportunity window for implementing a GP can be very slim.

Projects such as ERIK ACTION composed of partners that had come to know each other and identified GPs in previous projects were capable of transferring a higher number of GPs (10 for Erik Action) than projects assembling new partners (3 for PERIA).

All these steps and practices have been successfully covered by INTERREG IVC projects, as highlighted in this study.

The current pace of economic transformation in Europe and the pressing needs of SMEs would **suggest a need for shorter learning cycles**, with the combination of both the **strengthening of regional practices** and the **implementation of external practices** within the life span of a single project.

Regional Policymakers** can build on this favourable framework of the INTERREG IVC programme, and on the Good Practices, tools, results and general achievements of the projects reviewed in this study to introduce further structure and **shorten the cycles of their policy learning and sharing processes.

The quantity and quality of the portfolio of GPs assembled within the INTERREG IVC programme, of which this study is only a sample, can allow regional policymakers to jump stages, by building on the results of the benchmarking of GPs from previous projects and **focusing directly on the activities of evaluation and adaption** of these GPs to local contexts and circumstances, including through the **setting up of pilots, trials and small-scale implementation**.

The Capitalisation analysis is a great benchmarking tool that allows Regional policymakers to choose GPs and to propose a transfer project. It also gives an opportunity to showcase some GPs for up-scaling. The INTERREG IVC website has a GP database, which is useful for an initial benchmark, but it is not detailed to the extent of this report (and to the level of the other thematic reports). Partners in the analysed projects would like to see a more sophisticated capitalisation tool with a regularly updated database and personnel to provide professional advice to EU countries and regions, similar to the S3 platform hosted by the Institute for Prospective Technological Studies⁵⁶. Workshops and open days have also been mentioned by projects partners as great ways to get to know other regions and GPs.

With such a tool, regional stakeholders, including those not involved in INTERREG projects would be able to choose GPs of interest to them and to propose a bilateral transfer to the owner of the GP. Once a mutual interest has been validated, the two regions need to go on site. During the capitalisation

⁵⁶ <http://s3platform.jrc.ec.europa.eu/home>

analysis and exchanges with projects partners, it was mentioned that one funding scheme to finance **small bilateral GP transfer projects** could be **small lump sum grants** from the INTERREG programme. The funding could cover the cost of three 3-day visits for partners amounting to €5 000 - €10 000. This proposal is similar to the H2020 call 'Peer learning of innovation agencies'⁵⁷.

One other comment that was made to increase GP transfers between regions is to develop European labels that would give a marketing edge to the SMEs obtaining them. Already, a similar scheme is proposed for innovation voucher programmes in the H2020 programme, 'A European Label for innovation voucher programmes to support the spin-in of technology'⁵⁸. In this case, the incentive is not for marketing purposes but to obtain the best available technology service in Europe, opening up the vouchers, usually limited to one geographical area, to any European service provider.

These different propositions from projects' partners are great ideas to improve the up-scaling of GPs and to avoid reinventing the wheel.

3.4 Synergies

Synergies should always be at the forefront of the projects with a view to amplifying their impacts. Synergies can happen on many different levels, including with other INTERREG IVC projects, with ETC programmes or with other European funds, programmes or initiatives. In the present context, synergies are mostly about cooperation between projects and programmes, mutual learning and benchmarking.

3.4.1 Synergies with other INTERREG IVC PROJECTS

The INTERREG IVC Capitalisation exercise focused on 12 different themes, two of them directly related to innovation: Innovation Systems and Innovation Capacity of SMEs. As developed in section 3.2., these two themes are not easily separable, as **innovation systems influence policy instruments that support the innovation capacity of SMEs**. Projects interested in the innovation capacity of SMEs also addressed issues and described GPs related to innovation systems. For example, the INNOHUBS project identified a GP totally relevant to innovation systems (*Regional Innovation Network*), as did PERIA (*RDT Bretagne*) with a national programme. The presence of these GPs within those projects shows that in order **to support innovation capacity, one needs a strong innovation system**. Furthermore, the PERIA project focused on GPs from stakeholders of the local innovation systems, Regional Innovation Agencies and Managing Authorities, but they mostly contributed to the innovation capacity of SMEs GPs. The projects analysed under the innovation systems theme also showed GPs related to the innovation capacity of SMEs, such as the innovation vouchers in KNOW-MAN⁵⁹ (*Transfer Bonus*) or INNOPOLIS (*Innovation Vouchers*⁶⁰) to address the financing of innovation, or a GP promoting networking opportunities from IPP (*Entrepreneurs' day - Promoting Networking and Entrepreneurship*).

Other themes can also contribute to the innovation capacity of SMEs, such as Entrepreneurship or Creative Industries. Indeed, young SMEs need to innovate in order to grow and to find new markets, and their innovation capacity should be included within the companies' Business plans. Another example from the Creative Industries sector: the Cross Innovation project described a GP related to the hiring of research staff within SMEs with public support (*Technological Promoters for Innovation*)⁶¹, a GP very similar to the PERIA one (Creation of R&D departments).

3.4.2 Synergies with other ETC programmes

Besides the INTERREG programmes, there are three other ETC networking programmes working on various topics:

- **URBACT II**⁶²: The Urban Development Network Programme aims to improve the effectiveness of urban development policies.

⁵⁷ H2020 call in the Innovation in small and medium-sized enterprises work programme : INNOSUP-5-2014

⁵⁸ H2020 call in the Innovation in small and medium-sized enterprises work programme : INNOSUP-4-2014

⁵⁹ GP described in the Know-Man Good Practices report: <http://www.know-man.eu/>

⁶⁰ GP described in the Know-Man Good Practices report: <http://www.know-man.eu/>

⁶¹ GP described on the Cross Innovation website: <http://www.cross-innovation.eu/>

⁶² <http://urbact.eu/>

Whereas the **INTERREG programme** supports **Regions** to work together in order to improve their policies, the **URBACT programme** supports **Cities**. The two programmes have a lot in common, as URBACT projects are grouped into nine areas of expertise including 'innovation and creativity' and 'human capital and entrepreneurship'. These two areas have projects with GPs related to the innovation capacity of SMEs and innovation systems. For example, the Fin-Urb-Act project⁶³ has developed local action plans aimed at implementing innovative funding schemes, creating incubators and business networks. Another example is the '4D Cities' project⁶⁴, aimed at promoting innovation as well as the knowledge economy in the field of health.

It is interesting to note that the INNOHUBS project from the INTERREG IVC programme involved edge cities. It certainly presented GPs relevant to the usual URBACT projects partners. It also shows that city policies are relevant to regional policies and vice versa.

Innovation systems and innovation capacity of SMEs can be developed at city level or at regional level, depending on the topic. For instance:

- Technology and knowledge provision can be organised at regional level to cover all relevant sectors, but at city level for one specific sector or urban challenge (smart city)
- Support to companies can also be organised at regional level to cover all sectors and to pool efforts, but at city level for one specific concentration of firms or one cluster, working on the same field or same technology application.
- Support given to enterprise creation very often appears at city level when dealing with incubators and real estate offers, with links between existing companies and start-ups, but at regional level when dealing with financing (seed capital, venture capital, tax exemption, etc.).

Therefore it seems relevant to have common tools between the two programmes and more links when defining the calls for proposals and organising events. Indeed, it can be fairly difficult for project partners (INTERREG or URBACT) to stay abreast of the GP benchmark that they should do when there are several different programmes and several hundreds of projects. In order to capitalize and to find synergies within these programmes and projects, capitalisation tools and expertise should be further developed. One could imagine innovative solutions where the frontiers between the programmes become transparent to the users, and GPs are promoted independently of their programme of origin (i.e.: a user searching for GPs would not have to look into the INTERREG database and the URBACT database, he would search one global database).

- **ESPON⁶⁵**: The European Observation Network for Territorial Development and Cohesion aims to support policymakers by providing territorial evidence as well as support. The mission of the ESPON 2013 Programme is to *"support policy development in relation to the aim of territorial cohesion and a harmonious development of the European territory by (1) **providing comparable information, evidence, analyses and scenarios on territorial dynamics** and (2) **revealing territorial capital and potentials for development** of regions and larger territories **contributing to European competitiveness, territorial cooperation and a sustainable and balanced development**"*. To carry out this mission, the ESPON programme commissions many projects, whose themes are selected by policymakers from 31 countries and represent the demand for data to support policy development. Therefore, these projects are not about GPs, but about data and case studies. Specific knowledge available from ESPON can help managing authorities including regional authorities to improve their policies. INTERREG IVC project partners could include these data when defining their work programme, identifying GPs and analysing their conditions of transferability.
- **INTERACT⁶⁶**: This programme provides assistance to stakeholders that are implementing programmes under the European Territorial Cooperation Objective. INTERACT is a resource centre and a hub for sharing information and GPs among stakeholders involved in ETC programmes. It is a bridge between these various programmes. INTERACT supports Managing Authorities, Joint Technical Secretariats, Monitoring Committees, National Contact Persons, First Level Controllers, Certifying Authorities and Audit Authorities across Europe. INTERACT also focused on the capitalisation of results from all ETC programmes in two areas: energy and culture & creative industries.

⁶³ <http://urbact.eu/en/projects/human-capital-entrepreneurship/fin-urb-act/homepage/>

⁶⁴ <http://urbact.eu/en/projects/innovation-creativity/4d-cities/our-project/>

⁶⁵ <http://www.espon.eu/main/>

⁶⁶ <http://www.interact-eu.net/>

These three networking programme have a wealth of data relevant to regional policy improvement, especially for URBACT II and ESPON; however, it is somewhat difficult to conduct a benchmark when sources of knowledge are diverse and not known. A capitalisation tool allowing easy access to these data would be beneficial to the future INTERREG EUROPE project partners. As mentioned in section 3.3, a capitalisation tool including an up-to-date database and personnel to provide professional advice could include data from these networks. Another way to improve synergies would be for the programme to require a benchmark analysis of the GPs that exist when considering transferring a GP. Indeed, this report shows that similar solutions have been developed by the projects and future transfers would learn from these similar solutions and improve the considered GP. For example, a region wishing to import an innovation voucher scheme from one of the project partners would benefit from analysing all the different innovation voucher schemes in the database.

3.4.3 Synergies with other European Funds and Programmes

Horizon 2020 is the new EU framework programme for research, development and innovation for the period 2014-2020. It focuses on innovation and research exploitation, therefore with a Technology Readiness Level (TRL) above 4-5 (TRL are scored from 1 to 9). Its novelty is also the 'SME instrument', as explained in the context section, which will allow SMEs to individually submit proposals to a 'three steps' funding. The multidisciplinary approach is encouraged, especially when proposing a project for funding under one of the 'societal challenges' priorities. Finally, new stakeholders like associations or Non-Governmental Organizations are invited to participate in the consortium to make the results more sustainable and inclusive.

H2020 is based on three pillars:

- Scientific excellence, with initiatives like ERC, Marie Skłodowska Curie (MSCA), FET (future emerging technologies) and the large research infrastructure (€24.4 billion)
- Industrial leadership with initiatives like the KETs (Key enabling Technologies), access to risk finance, 'SME instrument' (€17 billion)
- Seven societal challenges (health, energy, green mobility, ICT, etc...) (€29.7 billion)

In addition, two initiatives are included in H2020:

- The Joint Research Centre (JRC) (€1.9 billion) focuses on non-nuclear research activities.
- The European Institute of Innovation and Technology (EIT) develops KICs (Knowledge Intensive Communities) (2.7 billion). Three KICs exist at the moment: climate change, ICT and energy. Two are in preparation for 2015: raw materials and health and ageing life. A KIC for urban mobility is planned for 2018.

SMEs can participate in activities linked to scientific excellence, but this is not the most relevant one; indeed this package is more oriented towards research laboratories and large companies.

In the programme industrial leadership, there are three sub-programmes.

- The first one is on the KETs (€13.6 billion) and can be of interest to SMEs. The six KETS are: ICT, nanotechnologies, advanced materials, biotechnologies, space, advanced manufacturing. This programme intends to cover the 'death valley' between the research and the commercialisation through three actions: prototyping, industrial scale, first manufacturing platform. The two last actions will be financed through structural funds. It is important for regions to position themselves among the value chain of each KET and to see how they can attract those tools and consequently support the development of their companies and SMEs. INTERREG EUROPE could provide support to the regions to help them to conduct exchange and analysis to achieve that goal.
- The second sub-programme is related to risk finance (€2.8 billion). It will consist in loans, guarantees schemes, seed capital and venture capital. We have seen that access to financing is one of the most important barriers impeding innovation in SMEs. This programme will help a lot, and INTERREG EUROPE could help the regions to share experience in adapting these financial tools to their background and, if possible, to pool them.

- The third sub-programme in industrial leadership is the SME instrument. Regions can share their experience on how to support and encourage their SMEs to participate. The first call shows more than 600 SME applications. The SME instrument will consist of three phases: (1) concept and feasibility assessment, (2) demonstration, market replication and R&D, (3) commercialisation. The grant is €50 000 for the first phase, €1-3M for the second phase. The TRL should be 6+, meaning a project close to entry into the market. The financing rate is 70%. For 2014 and 2015, 13 fields have been selected. In 2015-2016, another initiative, the Fast Track Innovation (FTI), will be launched with the aim of having 100 projects.

The third pillar, dedicated to societal challenges, will involve SMEs but also other kinds of stakeholder (research, education companies, citizens, NGO, etc.)

The overarching objective of the Commission is to have 20% of the financing allotted to SMEs (in FP7, it was 15%). The 20% will be divided into two parts: 13% for collaborative projects and 7% via the SME instrument. The interest of SMEs to participate in H2020 is to be identified among the best SMEs, to promote European and international visibility, to access business coaching, to have networking opportunities for networking and to obtain funding.

Besides H2020, there are other initiatives like:

- The Joint Technology Initiative (JTI). Six exist at the moment: bio-based industries; clean sky; electronic components and systems; fuel cell; hydrogen; innovative medicine.
- The public procurement initiative with two tested models: the PPI (public procurement of innovations) and the Pre-commercial procurement (PCP).
- COSME is a programme launched by DG Enterprise with a budget of €2.4billion. It will consist in more than 70% financing tools (loan, guarantee, seed capital, etc.)
- The cluster policy launched by DG Enterprise with support for meta-clusters (13 have been identified) and labelisation. INTERREG EUROPE can help regions to identify their clusters and prepare the ground for meta-clusters and synergies.

The question of the structural funds is strongly impacted by the Smart Specialisation Strategies (S3). This point is developed in the next section.

3.4.4 Synergies offered by European Networks and organisations

Research and Innovation Strategies for Smart Specialisation (RIS3)

Within the course of the capitalisation exercise with respect to the 'innovation capacity of SMEs', project partners were asked about the links between their project and the RIS3 initiatives within their regions. A surprising result emerged: project partners had not linked the two and were not really aware of the S3 platform, developed by DG Regio. One possible explanation for this is that most projects were well underway when the regions had to define their RIS3. However, for future projects, partners will need to belong to a region with a valid RIS3. Projects will probably be impacted at different levels. First, regions are encouraged to identify complementary regions in terms of RIS3. This may affect partnerships and help complementary regions to discover each other and to support their stakeholders to take part in other European Programmes (including H2020). Second, regional authorities are supposed to orient their structural funds towards activities and innovations related to their RIS3. This should impact some of the GPs being imported by focusing more on GPs related to their fields specialisation. Third, the RIS3 is based on an 'entrepreneurial process of discovery' placing the R&D&I of local companies at the centre of the strategy. Policies aimed at improving 'Innovation systems' and the 'innovation capacity of SMEs' are crucial for fostering economic growth within local companies allowing for a better 'entrepreneurial process of discovery' and resulting in better RIS3.

As conclusion, we can say that INTERREG EUROPE will help the regions to manage their RIS3, either internally by exchanging on GPs to foster innovation, or externally by finding regions which are positioned within similar fields or along the same value chain. Indeed the objective of the European Commission is to encourage regions to specialise in areas where they are strongest and to structure the European territory with inter-linkages among regions sharing the same competences.

Cluster policies

The European Union supports the European Cluster Alliance, the European meta-cluster partnership and European Cluster Observatory as well as actions to improve cluster organisations and cooperation between clusters. Every INTERREG IVC projects from the 'innovation capacity of SMEs' theme contributed GPs to cluster policies. The European Cluster Alliance is an open platform allowing policymakers interested in cluster policies, funding and development to exchange knowledge, experiences and good practices. Therefore, synergies seem possible between the projects and the Alliance. Once again, the challenge is for policymakers to stay abreast of all the initiatives across the different tools described in the section 3.4.

Especially INTERREG EUROPE can help, for instance, to create meta-cluster partnerships.

4. Key Policy Messages and Conclusions

This report presents an analysis of the seven concluded or ongoing INTERREG IVC projects which have enhancing the innovation capacity of SMEs as their main priority. The study has reviewed the Good Practices, sub-projects and other initiatives transferred or improved by these projects. It concludes that they do indeed align with the most pressing policy needs facing SMEs and are therefore relevant for regional policymakers and stakeholders active in assisting SMEs to overcome barriers to innovation.

4.1 General Recommendations for Local & Regional Authorities

Learning from others and learning from one's own success and failures is undisputedly a key element in policymaking, and especially so in a (relatively) new area such as innovation support, where there are still very few 'sure recipes' for success. Implementing effective learning processes involves however certain challenges, which need to be assessed:

Strengthening regional practices, in particular requires:

- **Effective benchmarking of existing policies and programmes**, as carried out by all INTERREG IVC projects in the identification of relevant regional Good Practices, often including the definition of indicators and success / impact criteria.
- **Implementation of formal programme evaluation / review mechanisms** such as peer review or other external review schemes, and overall the adoption of an 'evaluation culture' for innovation support; this has been carried out in several INTERREG IVC projects covered in this analysis, including, in particular, MINI-EUROPE (and strengthened further under its successor SMART-EUROPE).

Moreover, the implementation (and adaptation, when required) of external Good Practices, implies in turn that the following barriers are addressed:

- **'Policy Watch'** mechanisms to identify successful approaches at a global scale and the means to disseminate information about them; in INTERREG IVC projects, this is normally done through networking among partners, as well as through partners' own networking with international organisations, such as, for example, in INNOMOT, which exploited the links between IMPIVA (the Institute for SMEs of the Valencia Region) and international multi-sectoral organizations, such as the World Bank and the United Nations Aid, through the IVEK mechanism.
- **Access to support and assistance with the implementation of external good practices**, such as twinning mechanisms (one-to-one) or partnering fora / platforms (one-to-many). INTERREG IVC projects have addressed this issue through sub-projects, which are run by 'mini-programme' projects that typically bring together 3, 4 or more regional partners around a specific topic (such as in SMART+ and DISTRICT+), regarding networking for the development of regional implementation plans such as in ERIK ACTION and other capitalisation projects, or alternatively by developing dedicated platforms for the sharing of strategies, such as in '*Sharp-Cloud*' from the DISTRICT+ project.

4.2 Specific Innovation Capacity of SMEs Recommendations for Local & Regional Authorities

Good practices do exist: the overall results show clearly that it is possible to improve SME innovation support in Europe through the structured inter-regional learning process that enables regions to share practices. Capitalisation is a further stage in this sharing process and should be built upon.

In order to find solutions, it is first important to understand the problems. Policymakers can only intervene to support SMEs with innovation, by creating mechanisms to help them to overcome barriers to innovation if they actually know what the barriers faced by companies are.

The seven INTERREG IVC projects analysed offered a complete coverage of these barriers, both in terms of initial objectives and activities actually carried out by the projects. Between them, they offer **an impressive total of 93 relevant** sub-projects, Good Practices or other initiatives, with each of the five main barriers being addressed by **a minimum of 9 Good Practices**.

These 93 Good Practices therefore constitute a valuable repository of knowledge – of tried-and-tested policy solutions – validated by policymakers for policymakers in this field.

The main solutions proposed by INTERREG IVC projects for the barriers to innovation faced by SMEs are described below.

4.2.1 Funding for innovation

- **Implement Voucher schemes**, e.g. small scale grants (typically up to €25 000) for the provision of technical services, as addressed in MINI-EUROPE, DISTRICT+ and PERIA. This measure can typically reach up to 1 000 SMEs per year of implementation with a quick impact in terms of measurable results (1 year or less).
- **Implement flexible innovation funding schemes**, e.g. funding instruments that can be adapted in terms of methods of funding as well as the activities that can be financed. The *R&D funding scheme* from ERIK ACTION is a good example to follow.
- **Support regional Venture Capital Funds**, either public, private (with regional support), or public-private, as addressed in SMART+ (through the sub-project *Innofin*), INNOHUBS, INNOMOT, MINI-EUROPE and DISTRICT+. This is the most far-reaching but also the most complex solution, with a typical reach of ten beneficiary companies per year for investments of €1 million or higher, and a return on investment of five years or more.

It is important to note that the innovation vouchers are very popular in European Regions, so much so that there is a call for ‘a European label for innovation voucher programmes to support spin-in of technology’ in the Horizon 2020 work programme ‘Innovation in SMEs’. The label will help with the internationalisation of the service provider that can be hired. The innovation vouchers also help to address the lack of R&D capabilities.

As discussed in section 3.2.1, the available solutions within INTERREG IVC projects are fully complementary in terms of scale, volume of funding and time-frame, offering a full package of solutions for regional policymakers in terms of funding for SMEs.

4.2.2 Support for innovation management skills

- **Support initiatives to increase Innovation Management Skills within SMEs**, through **training workshops**, such as in *Innovation Race* and *KREO* (INNOHUBS), *Innovation Circles* and *Parenthood* (ERIK ACTION), **coaching activities** through external experts, such as in *Innovation Stockholm* (INNOHUBS) and *Tameside Business Family* (MINI-EUROPE) or through the **incorporation of new staff** in SMEs, such as in *Innovation Assistant*, from DISTRICT+.
- **Support activities addressing Creativity Thinking and Product conception**, such as in the INNOMOT project on the subject of non-technological innovation, including practices such as *Mindshake* and *Creative Trainer*.
- **Support the acquisition of specific technological competences**, such as in *KNOW-ECO*, a sub-project of DISTRICT+ and addressing the topic of **Eco-innovation**.
- **Support the acquisition of specific skills by SMEs such as Design**, as addressed in *Summer Design Office* (MINI-EUROPE), promoting the cooperation between SMEs and design students, and in *New Products by Design* (PERIA), or **ICT**, as addressed in the *PRAI/VINCI* measure (ERIK ACTION), facilitating the access of SMEs to ICT platforms for cooperation and networking in order to create virtual enterprises/organisations.

Altogether, these Good Practices cover the most important skills necessary to foster and manage innovation within SMEs, and offer regional actors a full package of possible measures to support SMEs to overcome the barrier of shortage of skills.

4.2.3 Support innovation marketing

- **Support the internationalisation of SMEs** to help them access external markets for their innovative products, processes or services. This has notably been the case of PERIA with measures such as *International Cooperation Visits* and *Participation in Foreign Trade Fairs* as well as MINI-EUROPE with *I-CREO*. The *IVEX GP* (INNOHUBS) is particularly of interest as it supports SMEs internationalisation via international public procurement.
- **Promote innovative marketing tools** or more general innovation marketing as is the case in *SIGNAL* (INNOHUBS). **Digital marketing** has been a growing trend over recent years but one which still presents challenges for small and micro-firms with limited resources, such as, for example, small rural hotels in the tourism sector. This has been one of the foci of the sub-project *IART Territories* from SMART+, in which partners have directly assisted these businesses to develop a web-presence in order to capture international clients.
- **Help SMEs to improve their Corporate Social Responsibility** image which in turn can help them to better develop and market their innovations. This has been addressed in the projects *ERIK ACTION* and *INNOMOT*, which have focused on the same GP, *Fabrica Ethica* from Tuscany, which supports SMEs in environmental certification processes and other social responsibility practices and *Impresa Ethica*, from Emilia Romagna, which is a label enabling SMEs to display their commitment to Corporate Social Responsibility.

These Good Practices cover most of the possible channels of marketing innovation, and offer several instruments, from workshops and training actions, to co-funding programmes (such as *Participation in Foreign Trade Fairs* or *Fabrica Ethica* that support part of the costs of SMEs with participation in fairs and environmental certification, respectively) and to permanent advisory and information centres.

4.2.4 Support R&D capabilities

- **Support Technology Transfer from Public Research Organizations to SMEs.** This approach was investigated, either for specific sectors such as genomics, nano/bio-technologies (*Genomnanotech* from MINI-EUROPE), through the setting-up of permanent networks of research organisations and companies (*TT Andalusia* from *ERIK ACTION*) or by promoting the creation of start-up companies within academic organisations for the direct exploitation of research results (*Campus* from *ERIK ACTION*).
- **Support the hiring of qualified research staff** that would help SMEs to create their own R&D departments. This has been addressed under *INNOMOT* with the GP *Bioenergy for the region*, which focused on the hiring of PhD students by SMEs, PERIA with the *Creation of R&D units* and *ERIK ACTION* with *Innovation Assistant*.

Both these measures can achieve medium to long-term results in terms of the research capabilities of regional SMEs, with the first (technology transfer) being capable of producing faster results, and the second (hiring of qualified research staff) being a more structural long-term measure.

4.2.5 Support networking and cooperation

- **Support the creation or development of cluster policies** to promote more structured forms of cooperation. INTERREG IVC projects have addressed both policies for cluster creation, as in the sub-projects *smart Tourism* and *TREC* (SMART+) or *SIDEUM* (*ERIK ACTION*), or, more often, for cluster management and business growth, *Productive clusters Programme* or *Pole Programme* (MINI-EUROPE) and *Innovation Poles* (DISTRICT+). Cluster policy can also include the internationalisation of clusters, as in *regioNet* and *SMEsGoNet* (SMART+).
- **Provide support with regard to creating, facilitating and catalysing business networks**, so as to foster more 'informal' forms of cooperation. In this case, focus is on informal and occasional links between companies with common business interests, i.e. which belong to the same sector, such as in *Future Food Network* and *Shops by Hand* (*INNOMOT*) or *Wood Sector Innovation* (*ERIK ACTION*).

- **Support innovation intermediaries' networks.** As local innovation communities can be widely dispersed and can be organised in a way that is difficult for SMEs to understand, it is important to coordinate their actions and to help them stay up to date with innovation support services and policies. The *RDT Bretagne GP* (ERIK ACTION), which now exists in every French region or the *Innovation Regional Network* (INNOHUBS) are examples that can inspire policymakers.

Clusters and networking GPs typically go hand-in-hand with innovation systems. They can provide a favourable environment for the innovation of SMEs.

4.3 Recommendations for local & regional policymakers not addressed by the projects

We have noticed that some activities that could address 'innovation capacity of SMEs' barriers were not (or not extensively) covered by the seven analysed projects.

4.3.1 Funding for innovation

New innovation funding schemes have been emerging lately, especially in a period of shortage of bank credit. These include **tax reliefs** (exemption or reduction of taxes for companies performing innovation activities or for investors who purchase new shares in those companies) and non-bank sources of finance, such as **peer-to-peer lending services** or **crowdsourcing** (fund-raising for specific projects from individuals, normally using web platforms to reach scale). The key to crowdfunding lies in the fact that many participants (those that provide a financial contribution) are often emotionally or ideologically supportive of the cause that the projects serve. In fact, many of the projects serve a societal, environmental or artistic cause which appeals to the typical crowdfunding participant. As is the case with tax reliefs or peer-to-peer lending, few are aware of the possibilities of crowdfunding. It is therefore a promising area for publicly funded projects, such as those supported by INTERREG IVC, to explore.

4.3.2 Innovation Management skills

One possible way to support activities promoting innovation management skills is through **tax incentives** at Member State level, especially to **include investments in innovation management** (e.g. tools, dedicated staff and training). Today, most national tax incentive schemes encourage strictly R&D investments and activities and rarely cover aspects of non-technological innovation. Tax incentives target established companies that make profit, and this is precisely the group that might benefit most from increasing their innovation management capacity. Furthermore, **tax deductibility would help to promote awareness of the importance of innovation management skills.**

4.3.3 Innovation marketing

The potential positive impact of **public procurement of innovation** has been pointed out in numerous European level publications as well as regional & national innovation strategies. Besides their importance in fostering more efficiency in the public sector and providing new solutions to societal challenges, the public procurement of innovation is an appropriate means by which to support innovation in SMEs.

For example:

- In Poland, the Public Procurement Office was commissioned by the Polish Agency for Enterprise Development to conduct a project on new forms of public procurement including a series of training courses for procurers and SMEs co-financed by the Structural Funds.
- A master's degree course at Dublin City University offers public procurement officers the opportunity to obtain professional expertise with regard to innovation procurement.
- Enterprise Ireland channels technical advice and market information to contracting authorities helping them to identify types of product or service from the SME community.

- An interesting initiative of the Greater London Authority is the e-Learning tool that has been launched to promote public sector procurers' and private sector organisations' involvement in procurement procedures. A specific course has been also designed to promote understanding of the responsible procurement agenda.

Another possibility for supporting the development of SMEs' marketing capabilities is through internationalisation, enhanced access to public markets and the development of online tools, notably through **open Vouchers**. While most voucher schemes are limited to R&D cooperation and/or to the type and nationality of service providers (often only public and from the same Member State), an interesting exception are the Baden-Württemberg voucher mechanisms. The **vouchers allow SMEs to choose any public or private service provider worldwide** – thus opening up the possibility of using the voucher for promoting European (or global) cooperation, even for SMEs with lower resources (technological, skills or financial). This makes it possible to break the 'vicious circle' of local cooperation that often confines SMEs to local markets and limited growth (focus on domestic markets → lack of (significant scale) resources → application to voucher mechanisms → confinement to local network partners → focus on domestic markets). However, the approach to innovation vouchers taken by most programmes and projects across Europe continues to focus on 'traditional' vouchers applicable only to national partners. This should change however once the label allowing international service providers is developed⁶⁷.

4.3.4 R&D capabilities

An additional area for regional policy intervention is the **creation of shared or public service research infrastructures**, including laboratories of research organisations. However, this requires a level of investment that is outside the scope of INTERREG IVC projects and is better suited to trans-border or trans-regional cooperation (INTERREG IVA or B) or national structural funds.

4.3.5 Networking

A 'missing link' is the use of social media and virtual networking for SMEs. While the topic has been touched upon by some of the projects analysed (e.g. under the PRAI / VINCI good practice in ERIK ACTION), it has a potential to foster networking and cooperation amongst SMEs, which is yet to be exploited.

Nonetheless, there are still interesting tried-and-tested good practices available, including the Knowledge Transfer Networks (KTN) from the UK. The KTNs focus on the challenge of transaction costs by providing a (virtual) national network for favouring collaboration and knowledge transfer. A Knowledge Transfer Network is a single overarching national network in a specific field of technology or business application which brings together people from businesses, universities, research, and finance & technology organisations to stimulate innovation through knowledge transfer. There are currently 15 KTNs which are now hosted on _connect, a networking platform. _connect is a **virtual platform** intended to facilitate **open innovation**, where people can **network**, **share information** and **knowledge** and **work together securely**. This trend towards 'virtual' support through web-based platforms seems promising for support programmes, and should help them to reach a larger number of SMEs.

⁶⁷ H2020 SMEs innovation call : 'A European Label for innovation voucher programmes to support spin-in of technology'

5. Annexes

Annexe 1: Innovation capacity of SMEs projects overview

7 projects:

Project acronym	Project name	Detailed topic
DISTRICT +	Disseminating Innovative STRategies for Capitalisation of Targeted Good Practices	Support to the passing between traditional economy and competitive economy
Erik Action	Upgrading the innovation capacity of existing firms	Improvement of the capacities to increase innovation within SMEs
INNOHUBS	Innovation Hubs	Promotion of innovation in edge cities
InnoMot	Improving Regional Policies promoting and motivating non-technological Innovation in SMEs	Adoption of non-technological innovations by SMEs
Mini Europe	Mainstreaming Innovative Instruments for SME development in Europe	Promotion of innovation for SMEs
PERIA	Partnership on European Innovation Agencies	Improvement of innovation serviced provided by the Regional Innovation Agencies
SMART +	Mini-Programme for SME Innovation and Promotion of RTD	Enforcing SME role in transition from traditional industries regions to knowledge based economy

Project acronym	Number of partners ⁶⁸	Country of the LP ⁶⁹	ERDF funding (€)	Total budget (€)	Startin g date	Ending date	Type of project
DISTRICT +	6	ITALY	3 550 000	4 600 000	01/01/2010	31/12/2013	RIP ⁷⁰
Erik Action	11	ITALY	1 460 840	1 893 784	01/07/2008	30/06/2010	CAP ⁷¹
INNOHUBS	6	SWEDEN	1 129 357	1 469 086	01/01/2010	31/12/2012	RIP
InnoMot	10	SWEDEN	1 727 256	2 274 728	01/01/2012	31/12/2014	RIP
Mini Europe	9	THE NETHERLANDS	1 554 920	1 991 639	01/09/2008	30/11/2011	RIP
PERIA	13	FRANCE	1 274 947	1 669 643	01/01/2010	31/12/2012	RIP
SMART +	6	SPAIN	3 233 000	4 004 000	01/01/2010	31/12/2013	RIP
61			13 930 320	17 902 879			

⁶⁸ Representing 22 Member states + Norway

⁶⁹ LP: Lead Partner

⁷⁰ RIP: Regional Initiative Project

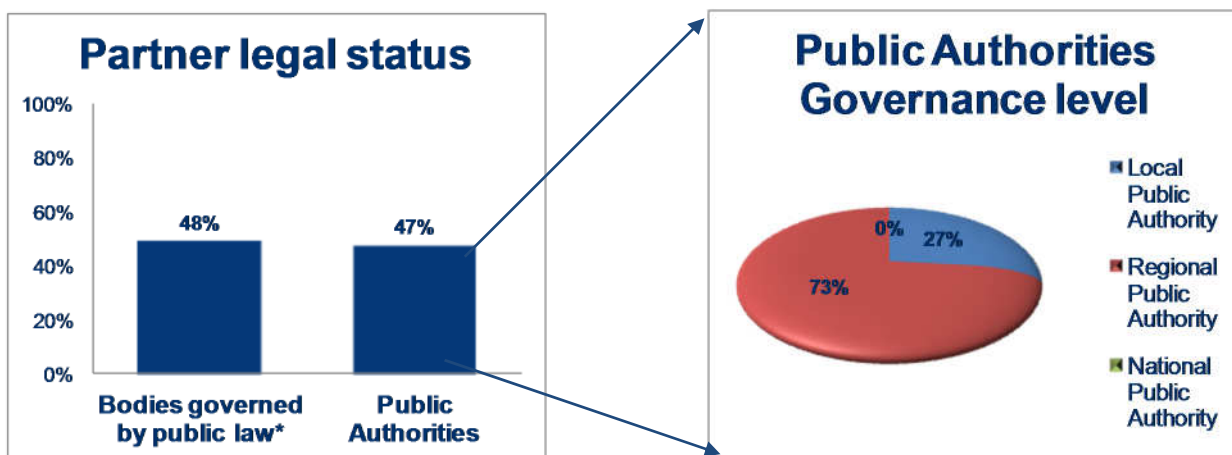
⁷¹ CAP: Capitalisation Project

Indicators - as of end 2013						
		Outputs		Results		
		No. of regional / local policies and instruments addressed	No. of good practices identified by Regional Initiative Projects	No. of regional / local policies and instruments improved or developed	No. of good practices successfully transferred within Regional Initiative Projects	No. of staff members with increased capacity (awareness / knowledge / skills) resulting from the exchange of experience at interregional events
Project acronym	End date					
DISTRICT +	31/12/2013	6	24	0	1	17
Erik Action	30/06/2010	11	16**	6	11***	47
INNOHUBS	31/12/2012	6	33	4	7	19
InnoMot	31/12/2014	9	34	0	0	10
Mini Europe	30/11/2011	8	39	4	14	71
PERIA	31/12/2012	6	52	2	1	40
SMART +	31/12/2013	6	23	6	5	55

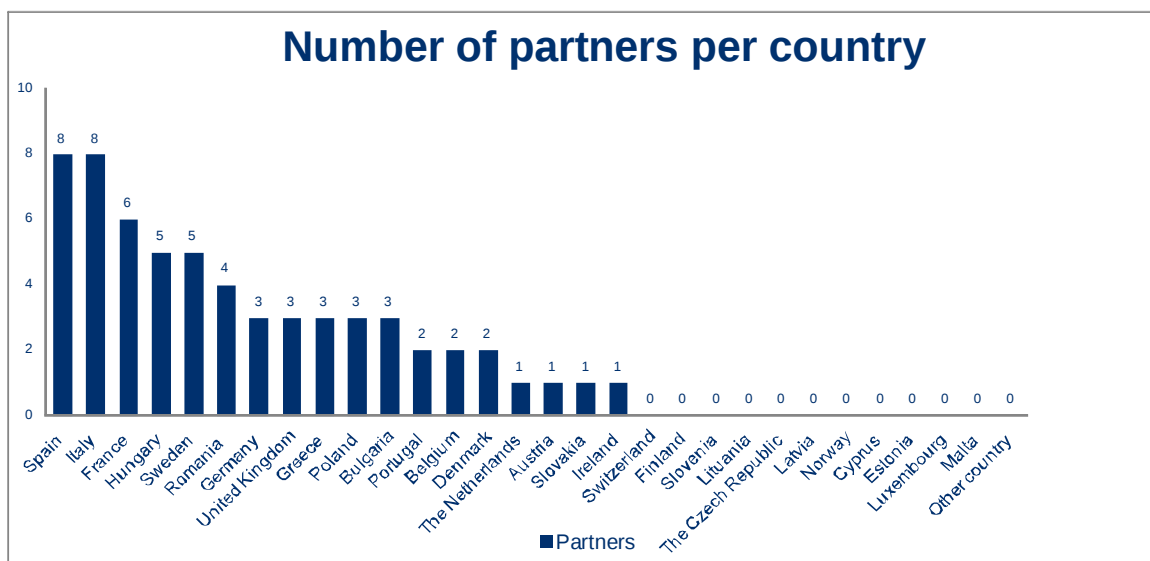
* Projects (RIP) do not always result in the transfer of good practices, but they always have to identify good practices with view to improving policies

** No. of good practices already identified and made available to regional and local actors involved in Capitalisation projects

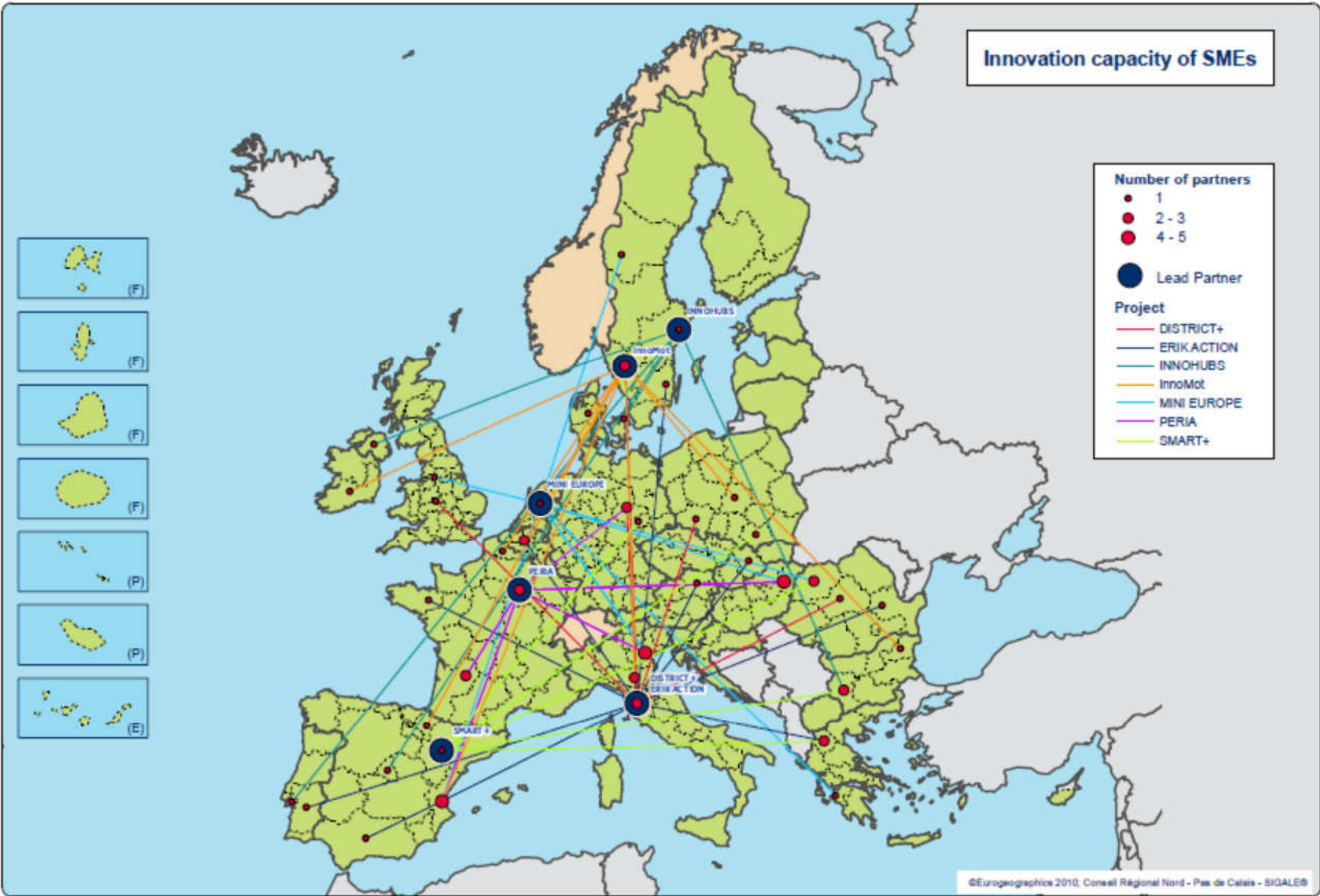
*** No. of action plans developed under Capitalisation projects



* Bodies governed by public law: e.g. Regional and local development agencies, Public universities etc.



Annexe 2: Innovation capacity of SMEs project partners Map



Annexe 3: Innovation capacity of SMEs projects factsheets

The analysis of each project follows the following format:

- Project name and details
- Objectives
- Presentation of GPs
- Content Analysis
 - o Figure showing GP matched against innovation barriers
 - o Analysis of selected GPs
- Main recommendations and conclusions

Disseminating Innovative Strategies for Capitalization of Targeted Good Practices: DISTRICT+

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention: Regional Initiative Project

Mini-programme: Yes

Duration: 01/01/2010 - 31/12/2013

Website: www.districtplus.eu

BUDGET

Total budget: €4 600 000

ERDF contribution: €3 550 000

PARTNERSHIP



	Country	Institution, Town
1	Italy	Tuscany Region, Firenze (Florence)
2	Sweden	Region Vastra Gotalands, Göteborg
3	Poland	Lower Silesia Voivoship, Wrocław
4	Romania	Brasov County Council, Brasov
5	Germany	Ministry of Science and Economy Saxony-Anhalt, Magdeburg
6	United Kingdom	Birmingham Technology Limited (known as Birmingham Science Park Aston), Birmingham

Lead partner:

Tuscany Region
Via Pico della Mirandola, 24
50132 Firenze (Florence)
ITALY

DISTRICT+ aimed to deliver

- Transferable policy instruments;
- Stable interregional networks implementing sub-projects in the areas of clusters and business networks (weaknesses in networking);
- SME innovation projects with universities and Technology Centres (lack of research capabilities);
- Innovation financing.

DISTRICT+ had a **dual approach** with (1) a **direct identification of GPs** by project partners at the regional level, and (2) a **call for sub-projects**, with a potential multiplier effect at the local level. It was therefore set up as a mini-programme implementing sub-projects to capitalise on the partners' good practices.

Good Practice analysis⁷²: At central level, of the 22 GPs identified, **15 GPs directly address the innovation capacity of SMEs**. As regards the sub-projects, of the 6 sub-projects implemented through DISTRICT+, 3 were on the topic of science parks (including their impact on entrepreneurship), and 3 were clearly within the scope of the innovation capacity of SMEs.

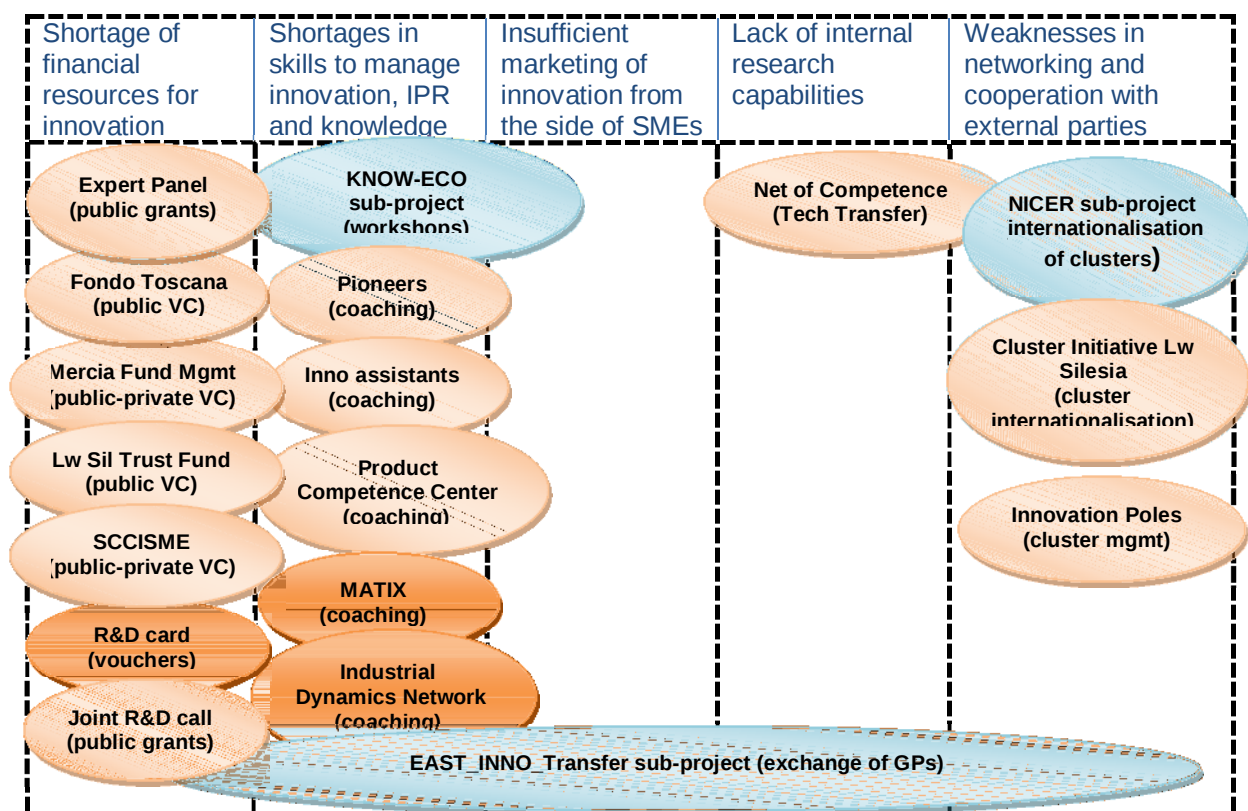
The following sub-projects with relevance for the topic of Innovation Capacity of SMEs were implemented:

EAST_INNO_TRANSFER - Supporting Innovation and Fostering Knowledge Transfer in the New EU Member States: This sub-project consisted in an exchange programme between partners (based on meetings and study visits) for the exchange and transfer of good practices - from more experienced regions in Western Europe (the West Midlands, UK and Tuscany, Italy) to learning ones in the New Member States (Lower Silesia, Poland and Brasov, Romania).

NICER - Networks for the Internationalisation of Cluster Excellence in Regions; NICER aimed to identify and implement a number of strategies in support of raising the international profile of clusters in the EU regions. It addressed policies for attracting foreign direct investment into business clusters as well as policies supporting their internationalisation.

KNOW-ECO - Enhancing Knowledge Collaboration in Eco-Innovation. This project aimed to enhance the uptake of eco-innovation in enterprises within the construction and mobility sectors and the transnational transfer of knowledge, tools and methodologies for linking knowledge providers with enterprises to increase the development or uptake of eco-innovation products and services. It proposed to do so through the delivery of the 'implementation labs' in each region. It was closely adapted to SME innovation capacity needs and tightly focused on specific sectors, allowing policy practitioners to deliver the right level of support services.

Figure 10: DISTRICT+ - Content Analysis



⁷² GPs described on the DISTRICT+ website: <http://districtplus.it/>

Amongst the most relevant GPs, *MATIX (Management of growing companies)*, the *Industrial Dynamics Network* and the *R&D card* (vouchers) should be highlighted, as they have been successfully adapted to, or have inspired, other regions (darker orange).

The GPs *Innovation Assistants* (which has also been addressed by other INTERREG IVC projects) and *Innovation Poles* show a good potential for transfer. *Innovation Assistants* aims to promote the transfer research output from universities directly to SMEs, through the support to the employment of young professionals and recent university graduates as innovation assistants in companies, with responsibilities for the development of innovation processes. *Innovation Poles* is a programme of the Tuscany region, Italy for the establishment of innovation clusters: combinations of research centres and companies. Within specific technological sectors, the poles deliver advanced services to strengthen the links between the research and the business systems.

Concerning funding solutions for SMEs, which is one of the main foci of the project, the *Mercia Fund Management (MFM)* in the West Midlands is another good example, as it combines small-scale financial support for exploring if technology can be commercialised with larger investing in early and follow on development stages in technology companies.

MATIX – Management of growing companies (Västra Götaland, Sweden): This programme from the School in Business Economics and Law at the University of Gothenburg allows master students in Business Economics to do an internship within a growing SME. The programme matches entrepreneurial students with SMEs showing potential growth or experiencing a form of growth barrier. For a year, the students practice to lead, manage and develop a company, 2-3 days per week while acquiring theory in class. The companies obtain knowledge to deal with challenges in various growth phases and the students prepare to start or lead and drive growth companies.

The Tuscany Region has selected this good practice to potentially contribute to its 2014-2020 regional programming and its main features have been included in the final draft of the Regional Smart Specialization strategy document⁷³.

R&D card (Västra Götaland, Sweden): The programme aims to support SMEs' R&D investments by providing funding to help companies clarify their R&D investment needs (€3 500) as well as actual R&D funding (€50 000). The grant can be used to pay an external research provider from all over Europe. The application process is very simple and the programme marketing is highly efficient, both can be considered good practices. This programme has been successfully adapted in Lower Silesia with ESF funds.

The industrial Dynamics Network (Västra Götaland, Sweden): This good practice provides SMEs with a framework to learn how to collaborate with R&D suppliers and to use external competences. The network is composed of Research and Technology Organizations as well as business supporting intermediaries and aims (1) to increase the impact of their individual support actions, (2) to develop a cluster of innovation support services and (3) to favour the establishment of industrial clusters. This good practice has led the Saxony-Anhalt Region to include, in its final Regional Innovation Strategy draft, some of the highlighted challenges and the schemes to push traditional SMEs to collaborate with R&D providers.

At central level partners dedicated considerable efforts to develop content for facilitating the exchange between partners, including the **SHARP-CLOUD environment** (the tool used to interconnect the GPs identified in terms of issues tackled, topics, actors involved and territories interested in their implementation) and the use by project partners of the Smart Specialisation Platform, made available by the Institute for Prospective Technological Studies (IPTS). This SHARP-CLOUD environment is enabling organisations, including SMEs, to form and join online communities, to find and interact with potential partners and customers who share common business or technical goals, at reduced costs and with minimal infrastructural investments. Lately, the growing penetration of cloud technologies opens up further new paths for the provision of new services, including those based on massive volumes of data or processing, to SMEs with limited resources.

⁷³ DISTRICT+ focus on 'transfer of good practices and policies improved'

Main conclusions and recommendations:

- The DISTRICT+ project is a GP in terms of its successful combination of sub-projects and activities at central level by the project partners, offering a 'multi-channel' approach to policy learning and sharing that increases the reach and range of the project, and combine different approaches, e.g. covering some sub-topics at greater depth through sub-projects (e.g. Eco-innovation, as in the sub-project 'KNOW-ECO' or internationalisation of clusters, as in 'NICER') while using the 'central level' approach to cover one sub-topic 'more broadly' by identifying and analysing a large number of GPs across Europe (as has been done with the theme of funding of innovation). This 'multi-channel' approach to policy learning and sharing was complex and could be further exploited in terms of synergy between the topics addressed by partners at 'central level' and the topic of the selected sub-projects.
- The 'Sharp-Cloud' tool is a first good example of the use of IT tools and web / cloud platforms for improved provision of services that could be followed by other projects.

Upgrading the innovation capacity of existing firms: ERIK ACTION

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention: Capitalisation Project

Fast track: Yes

Duration: 01/07/2008 - 30/06/2010

Website: www.eriknetwork.net/erikaction

BUDGET

Total budget: €1 893 783

ERDF contribution: €1 460 839

PARTNERSHIP



Lead partner:

Regional Government of Tuscany
PIAZZA DUOMO 10
50122 Firenze (Florence)
ITALY

	Country	Institution, Town
1	Italy	Regional Government of Tuscany, Florence
2	Austria	Lower Austrian Government, Dept. Economic Affairs, Tourism and Technology, St. Pölten
3	Italy	Emilia Romagna Region, Department for Industry, Unit for Local Development, Bologna
4	Portugal	ADRAL – Alentejo Regional Development Agency, Évora
5	Spain	Agency for Innovation and Development of Andalusia (IDEA), Seville
6	Slovakia	Banska Bystrica Self – governing Region, Banska Bystrica
7	France	Bretagne Innovation, Rennes
8	Belgium	Flemish Government - Enterprise Flanders, Brussels
9	Romania	The South-East Regional Development Agency, Braila
10	Sweden	LTC AB, Jönköping
11	Greece	University of West Macedonia, Research Committee, KOZANI

The ERIK Action Capitalisation Project succeeded a previous ERIK project. It followed a traditional GP identification model complemented by a transfer methodology based on Regional Implementation Plans. The project built on a consolidated experience of exchange, developed in former projects, by moving towards concrete transfer of identified good practices (already available in the ERIK database) into mainstream Structural Funds programmes in regions wishing to improve policies.

The project addressed the general issue of EU businesses' limited competitiveness and innovation capacity. In previous projects under the same partnership, partners had highlighted a need for integrated action on upgrading firms' innovation capacity, through support measures as well as financial support. The project resulted in the development of actions plans for the transfer of good practices between the 11 partners regions, with transfer actions to be supported and financed by the Regional Operational Programmes.

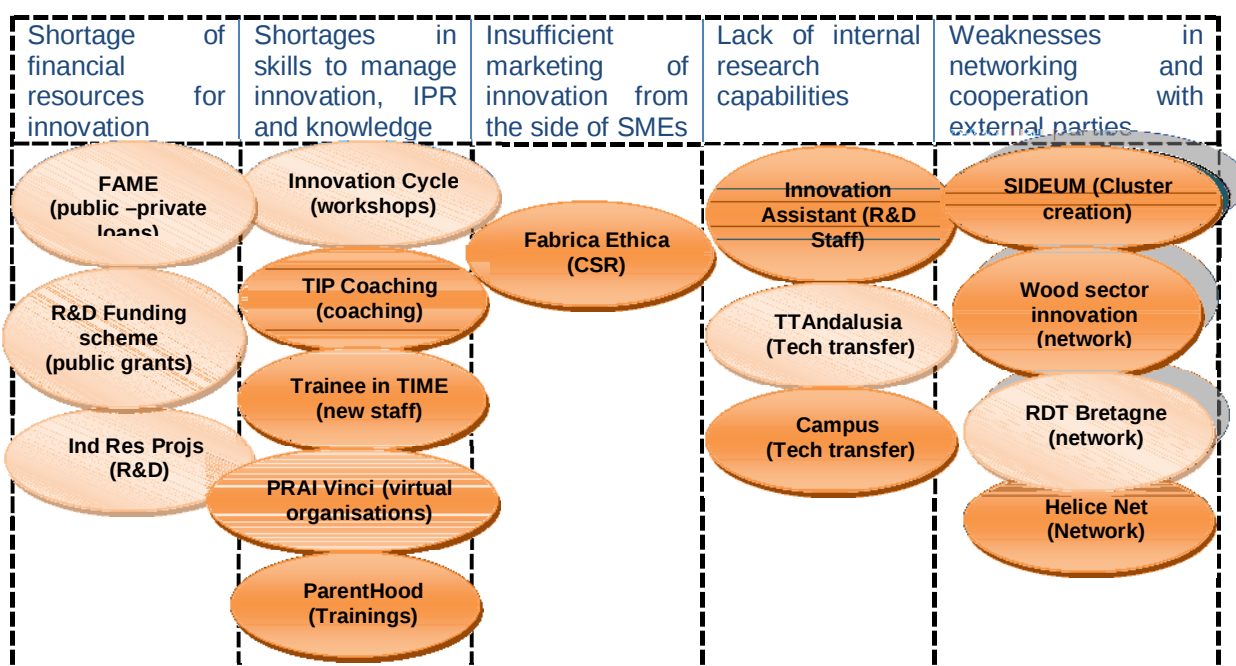
Topics addressed included: Employment of young graduates in innovation projects within SMEs; Innovation Systems awareness raising, tutoring and consultancy for SMEs; Corporate Social Responsibility; Innovation in traditional manufacturing sectors and Organization of specific events to promote triple helix cooperation.

ERIK ACTION was one of the first capitalisation projects (in 2008) and received 'fast track' status. Overall, it has had good European visibility. As a capitalisation project, it was focused on implementation processes more than on development of content, and particularly in matching Good GPs with funding lines available within the operational programmes.

ERIK ACTION represents a step further in the policy learning and sharing process initiated in previous projects, leading to the **development of tangible, operational Regional Action Plans** by each involved region, for the implementation of the previously identified GPs within local funding programmes and mechanisms, and in cooperation with local Managing Authorities.

Good Practice analysis⁷⁴: The ERIK Action project was the 3rd consecutive project from the same core partnership, following ERIK and ERIK+ (complemented by ERIK Network under Innovating Regions in Europe programme). Within ERIK ACTION each partner developed a Regional Action Plan for implementation of GPs, for submission and approval by the local Managing Authority. The regional action plans focused on a total of **16 Good Practices**, all relevant in terms of barriers to innovation capacity of SMEs, which are presented below.

Figure 11: ERIK ACTION – Content Analysis



ERIK ACTION either further developed or ended previous cooperative initiatives promoted by the same core partnership under INTERREG IVC. In other words, it **refined the selection of GPs** from previous projects. The focus under ERIK ACTION turned to practices for which the relevance and implementation potential towards other regions was clear, in order to include them in Regional Action Plans.

The Good Practices retained by the project covered the whole scope of barriers to innovation faced by SMEs, with an emphasis on 'shortages in skills' and 'weaknesses in networking'. Within the first category

⁷⁴ ERIK ACTION Good Practices Report : <http://www.eriknetwork.net/erikaction/index.html>

the *PRAI/VINCI* is particularly relevant given its focus on Virtual Enterprises which stands-out from the most common practices addressed within INTERREG IVC projects in this field. Within the category of 'lack of internal research capabilities', the main emphasis was on measures to support technology transfer from research / academic organisations to industry and in particular to SMEs. Some of the measures had a sectoral approach, making them more difficult to transfer, but others cut across all sectors and are relatively easy to implement in other regions, such as *Campus*, for the promotion of academic spin-offs.

Relevant practices were also addressed within the category of 'lack of funding' including the *FAME* measure, one of the few examples within the programme of the use of bank loans, with guarantees from public authorities, to support the funding of innovation in companies, which is particularly relevant in today's context in which European business continues to find credit harder to obtain due to the effects of the credit crunch; making this practice a relevant one for possible transfer to other regions.

Another relevant GP, similarly addressed in another INTERREG IVC project (*Impresa Ethica* from INNOMOT) is *Fabrica Ethica*, which promotes Corporate Social Responsibility as a means by which SMEs can reposition themselves and their innovative products and services in the market, thus contributing to their growth.

PRAI/VINCI (Tuscany, Italy): VINCI aimed to promote the Virtual Enterprise / Virtual Organisation as an instrument for the creation and management of clusters, thus strengthening the competitiveness of the main industrial systems in the Tuscan economy.

A Virtual Enterprise (VE) is a temporary alliance of enterprises that come together to share skills or core competencies and resources in order to better respond to business opportunities, and whose cooperation is supported by computer networks. It is a manifestation of Collaborative Networks and of Virtual Organisation (a productive organisational entity that uses telecommunication tools to enable, maintain and sustain member relationships in distributed work environments).

The VE/VO was experimented particularly in the field of technological innovation and technology transfer which, in a system of micro-firms such as Tuscany, represents one of the weakest links in the value chain.

The Programme offered four action lines: Analysis and design of VE/VO models in specific sectors of the regional industry and dissemination of results; experimentation, through pilot projects, of associated models of an innovative nature which develop forms of virtual cooperation; modelling, interregional comparison, mainstreaming of the results; guidance, monitoring, technical assistance.

FAME (Alentejo, Portugal): FAME is a public-private mechanism created to support micro companies: It was structured and adapted according to the particular needs of councils in the Alentejo region.

The objectives of the mechanism were to stimulate investment in micro companies in order to improve their products and/or services, facilities, equipment, and other necessary modifications. The mechanism also aimed to promote investment in developing strategic areas such as quality, new technologies, environment, security and hygiene.

The mechanism is applied through a partnership between ADRAL (the regional development agency), the council and a commercial bank and provides companies with loans which must be paid back within 5 years. These loans are guaranteed by the council.

The key innovative features of the good practice lie in the fact that the councils have an active role in the process. With their deep knowledge of the territory and environment they can guide the fund to the most needed areas or sectors, take part in the evaluation of the projects and finance 50% of the eligible amount with no interest. The different councils can also adjust the fund to their capabilities. The commercial bank also takes part in the evaluation process and finances the rest of the eligible amount (50%) with a special (low) interest rate.

Fabrica Ethica (Tuscany, Italy): Together with Tuscan SMEs, Fabrica Ethica has constructed a production process that makes the regional economy more competitive and able to differentiate its production on the basis of material and immaterial quality. Fabrica Ethica hinges on the respect for workers, consumer rights and the environment. It encourages an approach that is based on continuous improvements which anchor CSR in SME strategies and management systems. The programme covers 50% of SMEs' costs with environmental certification, supports specific projects to spread CSR in industrial districts, facilitates access to micro-credit, as well as disseminates information and CSR practices through a web site.

Main conclusions and recommendations:

- The ERIK ACTION approach of Regional Action Plans tailored to available regional programmes maximizes the impact of the project, ensuring both the feasibility and sustainability of planned actions. A factor of success has been the involvement in the process of the local managing authorities, so as to ensure their commitment to funding the planned actions. In the ERIK ACTION project this was achieved by creating mixed teams in each partner, involving both staff from the planning and management of funding programmes and operational staff linked with implementation processes. This approach ensures that the GPs are relevant both in operational terms for the region and in terms of feasibility in the sense that its coherence and synergy with regional funding instruments is ensured.

Promoting innovation in edge cities: INNOHUBS

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention: Regional Initiative Project

Duration: 01/01/2010 - 31/12/2012

Website: www.innohubs.eu

BUDGET

Total budget: €1 469 086

ERDF contribution: €1 129 356

PARTNERSHIP



	Country	Institution, Town
1	Sweden	Municipality of Nacka, Nacka Kommun
2	Spain	Getafe Initiatives, S.A. Municipal, Getafe
3	Denmark	Ballerup Municipality, Ballerup
4	United Kingdom	North Down Borough Council, Bangor, Co. Down, Northern Ireland
5	Portugal	Loures County Council, Loures
6	Bulgaria	Municipality of Pernik, Pernik

Lead partner:

Municipality of Nacka
Granitvägen 15
131 81 Nacka Kommun
SWEDEN

INNOHUBS focused on urban innovation, building from a group of 'edge cities' (cities on the edge of the major capitals of Europe) grouped under the Edge Cities Network (ECN).

While the project addressed the innovation capacity of SMEs in general, its main focus was on **entrepreneurship**, with the main aim being to identify and exchange Good Practices relating to the support and promotion of local entrepreneurship and innovative SMEs among the partner Edge Cities. This goal would be achieved through the **creation of an 'innohub' in each city**, drawing and building on the experience of the Lead Partner City (Nacka) which defines **an innohub as "an open counselling, advising and mentoring resource staffed by local experts** from the academia and business environment, available for private individuals as well as businessmen and other entrepreneurs, for commercialising ideas from start to finish, from an invention to an innovation". While this 'innohub' can support and guide 'would-be' entrepreneurs in the process of creating a new company, in practice the main focus by most partners was on supporting existing SMEs to develop their business and

internationalisation efforts, which brought the project further into the 'Innovation Capacity of SMEs' sphere.

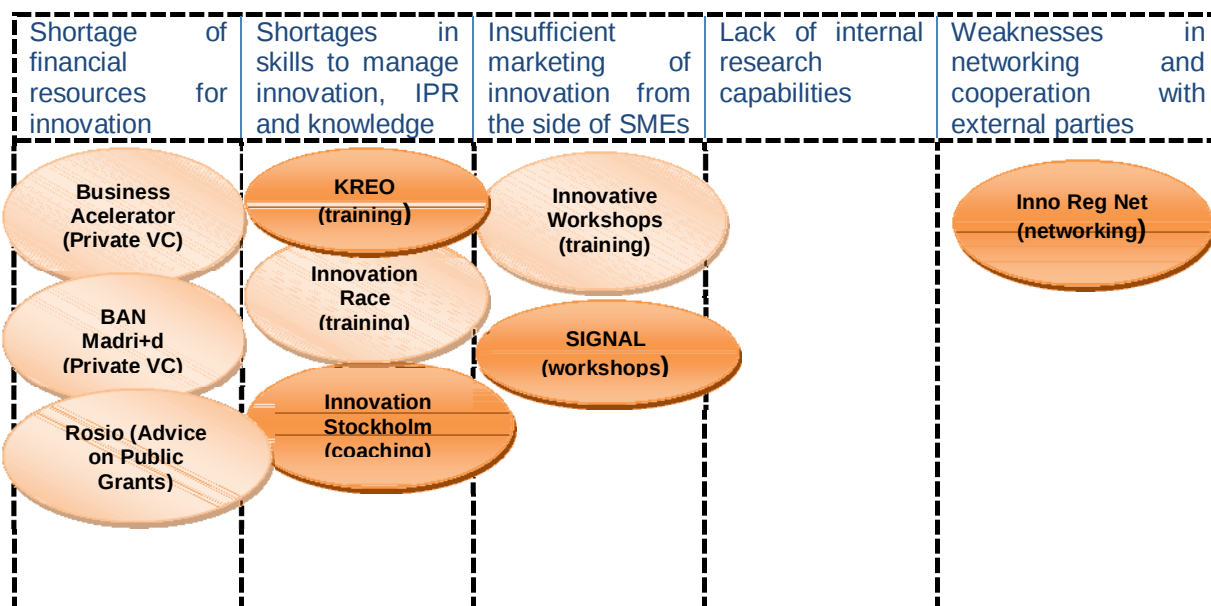
In practical terms, the INNOHUBS project used a 'chain' approach for a thematic organisation of Good Practices in innovation support (Promoting Mindset – Training - Start-Up – Operation – Growth – Collaboration). For each stage in this chain different Good Practices were identified, analysed and transferred.

The first three stages (Promoting Mindset, Training, Start-up) were clearly entrepreneurship-oriented, focused on university students, and therefore lie outside the scope of the present analysis. The other three (Operation, Growth, Collaboration) were related to the innovation capacity of SMEs in general, and – on the basis of the information provided by the different partners - focused on addressing shortages in skills to manage innovation and insufficiencies in the marketing of innovation.

The main outcome of INNOHUBS was the adaptation process carried out by most partners to incorporate Good Practices from other cities into their own local, permanent, sustainable organisations, with a good level of interaction with local businesses. This resulted in a 'deeper' relationship between local partners – local businesses than initially estimated, going further than the mere awareness raising and further into the stages of active support, for the development of innovation in and internationalisation of the assisted companies.

Good Practice analysis: The project addressed a total of 28 Good Practices, in the concerned cities / regions. Out of these, 9 Good Practices are clearly relevant for the 'innovation capacity of SMEs', and are presented below:

Figure 12: InnoHubs – Content Analysis



A total of seven good practices were transferred, four within the Innovation Capacity of SMEs theme (darker orange in Figure 12: *InnoHubs – Content Analysis*).

The flow of the Good Practices was mainly from Northern partners (Necka, Ballerup) towards Southern ones (Loures, Getafe, and to a lesser degree North Down) – as Vera Velhinho from Loures noted *"it is easier to get inspiration from Northern partners, which are one step further into the resolution of problems, than from Southern ones, which are at the same stage and facing the same difficulties"*.

One of the Good Practices, which is not described as a Good Practice, but which it is at the project level, focused on creating a **roadmap to implement the Innohubs Model in cities**. The general guidelines are:

1. **Desire to Innovate** – high level commitment to work strategically with innovation
 - a. Innovation champions engage key stakeholders and decision makers to support innovation.
2. **Vision and Strategy for innovation** – defined through a collaborative process
 - a. Create an innovation advisory board and gain political support for a local innovation strategy
3. **Innovation team** and ambassadors – people with passion for innovation identified and trained
 - a. Carry out the innovation strategy
4. **Innovation programmes** – based on priorities of the strategy
 - a. Get inspired from Good Practices
5. **Innovation infrastructure** – a sustainable innovation support ecosystem developed and resourced
 - a. A dedicated space that connects all the innovation programmes
6. **Communication** – to encourage engagement and participation
 - a. A municipality is in a good position to communicate about innovation to all its citizens
7. **Evaluation and policy improvement** – an ongoing process of measurement, review and improvement
 - a. Innovation impacts can be long in the making and hard to measure; however, it is necessary to improve policies and convince politicians of the benefits.

Another Good Practice from the project is related to the involvement of the 6 mayors from the 6 edge-city partners: they all signed the Innohubs Declaration and are committed to continue working on innovation issues, following the Innohubs Model and Roadmap.

From idea to innovative business concept - KREO workshop series – (Nacka, Sweden): Kreo addresses “the need to develop a raw idea into an innovative, sustainable business concept”. The workshop series is an intensive seven 3-hour workshop that focuses on: “sharpen[ing] your business idea, trend spotting, vision, target groups, revenue model, pitch[ing] your business idea and sales presentation”. The group format allows for a very interactive experience with continuous feedback and team building. A set of visual and creativity tools are given to the participants to help them to think out of the box and to have fun while gaining confidence and developing their entrepreneurial skills. The KREO method is particularly interesting as it has proven its efficiency in several other countries (Netherlands, Spain, and Brazil) and as it produces good results quickly at a low cost.

SIGNAL Centre of Business Excellence – growth through innovation (North Down, United Kingdom): Businesses that seek growth through innovation can find support tailored to their individual requirements in the SIGNAL Centre of Business Excellence. The services are provided by local advisors or hired-in professionals. Regular training sessions also take place in the centre and market research/business intelligence services are available. Company growth is always associated with product or process innovation. Its approach to sustainability is important: clients contribute to the trainings/seminar costs and pay full commercial price for the business venue facilities that can be rented.

Innovation Stockholm (Nacka, Sweden): This Good Practice comes from the publicly founded ALMI organization that has a specialized innovation consulting department named Innovation Stockholm. It offers free services to support SMEs in all phases of innovation development. It can go from a simple phone call to personal meetings, networking and seminars. Once the innovation is more advanced, several financing options are offered. Innovation Stockholm has about 1 000 customers a year, and 20% of them commercialize their innovative idea.

Innovation regional Network (Loures, Portugal): This network was established in 2009 and connects organizations that support business innovation processes and internationalization such as economic development agencies, universities, investors and aspiring entrepreneurs. Its purpose is to “develop and prioritise new policies that promote and support local innovation”.

Main conclusions and recommendations:

- The INNOHUBS project demonstrated the added-value of international projects involving different regions across Europe with different innovation contexts, for the promotion of knowledge transfer from more experienced regions (in terms of innovation systems) to learning ones, resulting in the improvement of local policies and support to business support intermediaries in the latter.
- The project also showed the importance of consolidated partnerships such as the 'Edge Cities Network (ECN)' from which the project stemmed, a network that brings together towns and cities on the edge of the major capitals of Europe. This common background allows partners to move more quickly into the objectives of the project and is a success factor for the longer-term implementation of the policies developed.

Improving Regional Policies promoting and motivating non-technological Innovation in SMEs: INNOMOT

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention : Regional Initiative Project

Duration : 01/01/2012 - 31/12/2014

Website : www.innomot.net

BUDGET

Total budget : €2 274 728

ERDF contribution: €1 727 256

PARTNERSHIP



Lead partner:

West Sweden
Kronhusgatan 7
411 05 Göteborg (Gothenburg)
SWEDEN

	Country	Institution, Town
1	Sweden	West Sweden, Göteborg (Gothenburg)
2	Belgium	TeleRegions Net, Brussels
3	Poland	Lodz Region, Lodz
4	Ireland	Meath County Enterprise Board, Navan
5	Bulgaria	Regional Agency for Entrepreneurship and Innovations – Varna (RAPIV), Varna
6	Spain	European Business Innovation Centre of Navarra - CEIN, Noain
7	Spain	Instituto de la Pequeña y Mediana Empresa de la Generalitat Valenciana IMPIVA, Valencia
8	France	North France Innovation Development, Lille
9	Italy	ERVET - Emilia-Romagna Economic Development Agency L.t.d., Bologna
10	Denmark	Department of Regional Development, Viborg

INNOMOT focuses on **non-technological innovation** and the main objective of the project is to prepare the deployment of new policies and programmes to **support the adoption of non-technological innovations by SMEs** in the regions involved. The project is aware of the need to convince SMEs managers to devote part of their time to define and implement innovation policies and to develop and adopt non-technological innovations in the companies. The objectives are to be reached through the involvement and active implication of the organisations in charge of the design and implementation of the innovation policies in the partner regions.

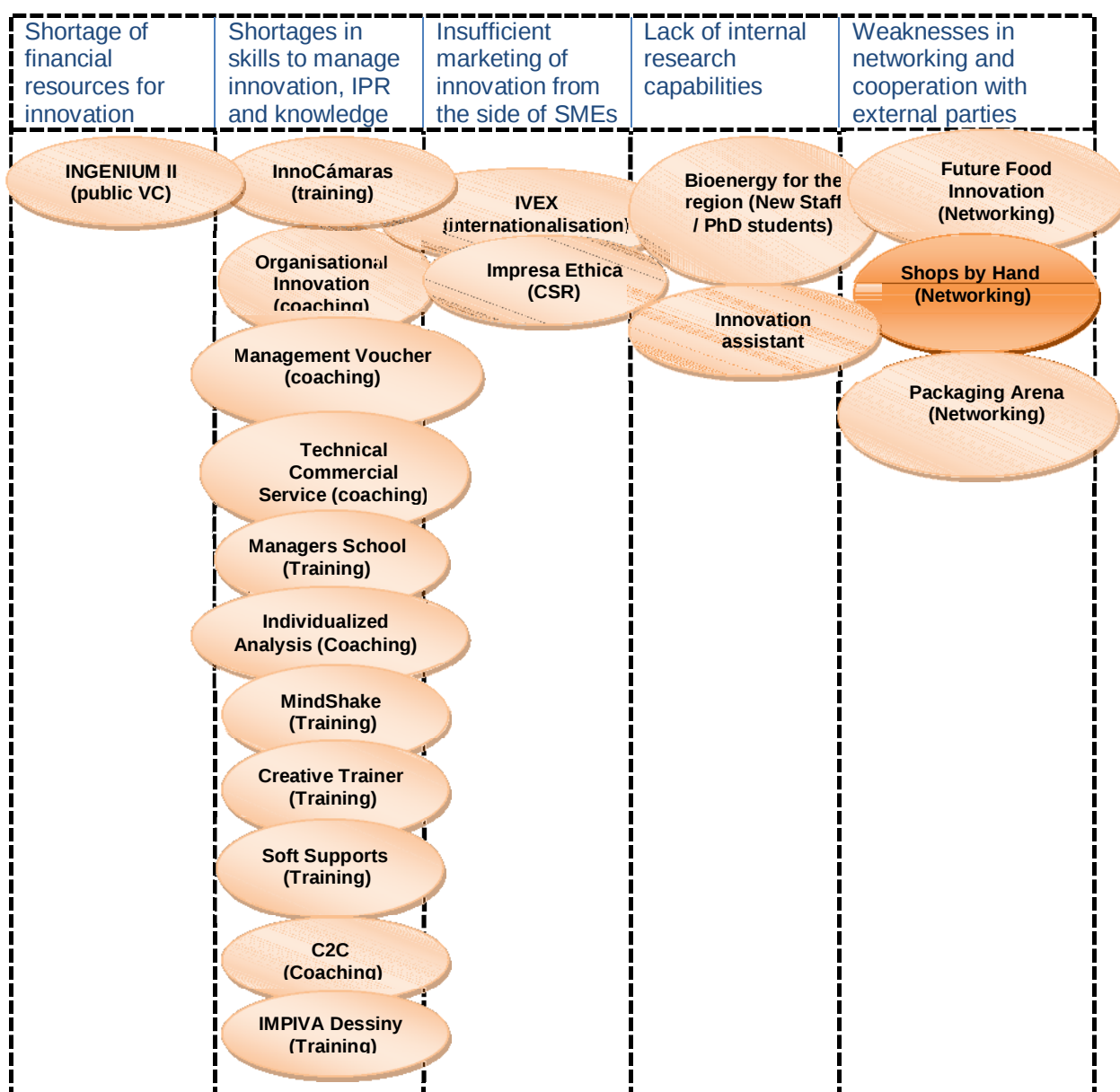
The project addresses a topic which is relatively new within the INTERREG IVC programme as most projects in the topic have addressed technological innovation. Because of this new focus, there may be a temptation to consider 'mostly everything not directly targeted at technological innovation' as a Good Practice – so it is important to know how the project has been able to draw the line between innovative 'non-technological' measures and simple modernisation or support to investment initiatives.

The main substantive challenge of the project is to improve the development and adoption of new business models in SMEs by designing, implementing and managing strategies, policies and tools, whose aims are to improve non-technological innovation, and directly raise awareness among SME owners and executive managers of the importance of this approach.

INNOMOT is still at an initial stage of implementation. From its inception, it has had **to cope with the very different levels of 'policy maturity' between the participating regions** in respect to the **support provided to service / non-technological innovation**, and with the difficulty of finding support measures that are relevant for non-technological innovation.

Good Practice analysis: The project identified a total of 34 Good Practices, over half of which (19) are relevant in terms of (non-technological) innovation support to SMEs. Among these GPs identified by the consortium, **some are more specific to non-technological innovation while others are very close to traditional technological innovation support**. None have been transferred yet; however, the *shops by hand* GP was pointed out by the project leader as having good potential for transfer.

Figure 13: InnoMot – Content Analysis



Shops by hand (Navarra, Spain): Shops by hand is a retail trade network created over ten years ago to help its members develop innovating services and products to locals and tourists in their villages. The network has its own trademark.

IVEX-Multilateral procurement programme (Valencia, Spain): Ivex designed and implemented a programme designed to assist companies to do business with multilateral organisations (such as United Nations funding programmes or EuropeAid) that fund projects and procure goods and services in international markets. Assistance is provided in two different phases: i) inception: information, analysis and evaluation, validation and strategy design and ii) operational assistance in Spain and in selected countries: Market selection and management. Information is provided to companies through a website containing business opportunities, reports on the business environment and selected sectors such as water, energy, construction in 22 countries. At a strategic level, IVEX has designed and implemented a training programme, which provides assistance to companies new to external markets, through seminars and workshops, cooperation sessions and business missions to the multilateral organisations' head offices and the target countries. Finally, at operational level, support in the management of projects can be provided via the network of IVEX delegations abroad and in Spain and experts in international public procurement.

Future Food Innovation (Central Denmark Region): The Future Food Innovation network is an Innovationhub created to support innovation in the extremely competitive food sector. The hub brings together the companies, the research centres and the consumers together in order to develop innovative products, services and processes. The food sector always needs to adapt to consumers and social issues (environment, climate and health issues). The activities carried out by the hub include coaching, internationalization and funding.

Mindshake (Navarra, Spain): This programme promotes innovation and creativity in companies based on their real life experience. Once the company enters the programme a mix of training and consultancy addresses their particular challenge in a practical way introducing non-technological innovations along the way.

Main conclusions and recommendations:

- INNOMOT is focused on non-technological innovation. It reviews current policies and practices with the goal of sharing and possibly transferring them to participating regions. In line with INTERREG IVC principles of policy learning and sharing, this development around existing policy measures offers an easier and faster option to address service / non-technological innovation than designing new policies from scratch.
- In the specific case of non-technological innovation, it should be noted that general innovation policy support measures that are not service specific are often technology biased, and content, evaluation procedures, funding criteria, and skills have mainly developed around technological issues rather than service innovation. To be more effective, existing policy measures (such as IVEX or Mindshake) might usefully be evaluated and restructured so as to be able to offer a more comprehensive non-technological innovation service.
- Hence, complementary to the on-going review of existent good practices, it is recommended to also put focus on the design of new policies (through 'think tanks', 'crowdsourcing methods' or similar).

Mainstreaming INnovative Instruments for SME development in Europe: MINI EUROPE

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention: Regional Initiative Project

Duration: 01/09/2008 - 30/11/2011

Website: www.interreg-minieurope.com

BUDGET

Total budget: €1 991 640

ERDF contribution: €1 554 920

PARTNERSHIP



	Country	Institution, Town
1	The Netherlands	Province of Flevoland, Lelystad
2	United Kingdom	Tameside Metropolitan Borough Council, Ashton under Lyne
3	Hungary	Észak-Alföld Regional Development Agency Non-profit Limited Company, Debrecen
4	Romania	Maramures County Council, Baia Mare
5	Sweden	Almi Företagspartner Mitt AB, Härnösand
6	Spain	Institute for Small and Medium-sized Industrial Firms of the Valencian Government, Valencia
7	Italy	Veneto Region, Venezia
8	Italy	Veneto Innovation, Venezia Marghera
9	Greece	Patras Science Park s.A., Rion, Patras

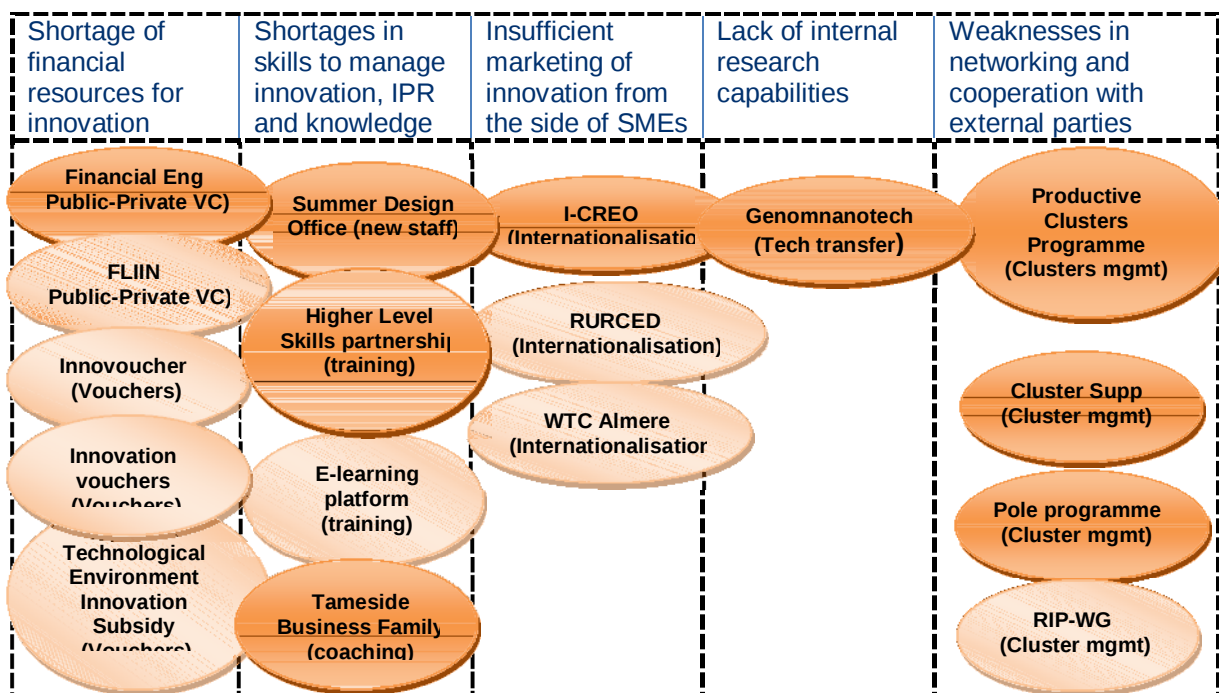
Lead partner:
Province of Flevoland
P.O. Box 55
8200 AB Lelystad
THE NETHERLANDS

Mini-Europe aimed to exchange and improve regional policies for SME development, focusing on providing an improved innovation infrastructure. The main areas of intervention were **enhancing cooperation and knowledge exchange between SMEs and knowledge institutes** (addressing the issue of lack of research capabilities in SMEs) and **providing a good innovation infrastructure** to new entrepreneurs. The project aimed at developing regional policy instruments and strategies and initiating their implementation in the partner regions using 'policy learning' instruments such as the 'creative workshops' – brainstorming meetings between partners during which Good Practices (their content and suitability for other regions) were discussed.

Good Practice analysis⁷⁵: Good Practices were identified and addressed in all these areas, with sound results: **26 GPs identified**, 16 matches made, **10 transfers accomplished** (9 within the Innovation Capacity of SMEs theme) up to the end of the project, 6 of which are still being performed. The project's most visible impact has been in the topic of entrepreneurship, due to the success of the Good Practice *Summer Entrepreneur* (which was transferred and adapted to 4 regions, and with solid results).

The *Summer Design Office* GP is similar to the *New Products by Design* GP from PERIA⁷⁶ and the *I-CREO* GP is exactly the same in PERIA.

Figure 14: Mini-Europe – Content Analysis



Summer Design Office (Sweden): The *Summer Design Office* is now a nation-wide programme in Sweden. It was started in 1998 as a way to bring companies and students together and forge new influences on companies via students studying different disciplines. Up to 2010 the programme had been conducted in more than 130 municipalities in Sweden, supporting approximately 800 companies. An office runs for 7 weeks in the summer. The planning starts in March with discussions concerning location, financing, companies, and students. After the summer there are activities for follow up and reporting. The target is to raise awareness of design as a means for SMEs to develop their business. The students are selected annually via a database of at least 350 students from all over the world (mostly Swedes). The selection of students depends on the type of company. If the company continues to use the design they have the option to employ the student or contact other consultancy firms. Each local design project costs 75 000 euros for the cost of the office, material, phones, cars, documentation, including salaries for Project manager, Supervisor, and 8 students for 7 weeks. This GP, which has a lot in common with 'Summer Entrepreneur', but is aimed at overcoming SME weaknesses in terms of design skills: it is relatively easy to implement on a small scale, within a short time-frame and within controlled resources, is addressed to a target audience and targets a specific topic (in this case design of new products). Its success is however harder to measure – while success of 'Summer Entrepreneur' can almost instantly be measured by the number of new ventures created (even if many never leave the ground), the launch of new products based on design is dependent on longer life-cycles and companies are more reluctant to release information on it. Nevertheless, it is still a good example of what a transferable Good Practice should be, in terms of scale, duration and means of implementation.

⁷⁵ Mini-Europe Catalogue of Good Practices and "Mainstreaming the results of MINI-EUROPE" report : <http://interreg-minieurope.com/>

⁷⁶ Annex 3 - PERIA

I-CREO network (Valencia, Spain): a programme aiming to give support for business associations (clusters) formed by SMEs, through the hiring of innovation experts in order to seek, propose and bring new business opportunities to fruition, including in export markets.

Genomnanotech (Hungary): The Hungarian government realized that the subsidisation of innovation oriented R&D at universities is very important. The commercialisation of these R&D results is essential as well. With the support of 'Pázmány Péter Programme', the industry and universities can cooperate and develop products, services & technologies together. This increases the regional and national competitiveness of the country. GENOMNANOTECH Regional Knowledge Centre (GND RKC) was launched as a result of a competitive call for proposals published by the National Office for Research and Technology (NORT) in 2004. In this project, 16 companies carry out applied research together with researchers of the University of Debrecen, one of the most rapidly developing knowledge centres of the Eastern-Central-European region. Results include:

- Installing an innovation management system, including a project evaluation system at the University of Debrecen;
- Setting up a Knowledge and Technology Transfer Office at the University of Debrecen, which became a significant player of the innovation system in Hungary;
- Enhancing R&D intensive investments in the Észak-Alföld region in cooperation with Innova.

Main conclusions and recommendations:

- Mini-Europe was a very successful project in terms of transfer of good practices. This is partly due to the intensive involvement of policymakers and funding organisations in the project, either directly as partners, or indirectly supporting these, which allows a smoother transition towards implementation and mainstreaming of the measures and mechanisms transferred.
- The most successful measures have been those (Summer Design Office, Financial Engineering) that are easy to implement on a small scale, within a short time-frame and within controlled resources, that are addressed to a target audience and that target a specific topic.

Partnership on European Regional Innovation Agencies: PERIA

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development



TYPE OF INTERVENTION

Type of intervention: Regional Initiative Project

Duration: 01/01/2010 - 31/12/2012

Website: www.peria.eu

BUDGET

Total budget: €1 669 643

ERDF contribution: €1 274 947

PARTNERSHIP



Lead partner:

CARINNA-Champagne-Ardenne
Research and Innovation Agency
14, rue Gabriel Voisin
51100 REIMS
FRANCE

	Country	Institution, Town
1	France	CARINNA-Champagne-Ardenne Research and Innovation Agency, Reims
2	France	INNOVALIS Aquitaine, Pessac
3	Hungary	INNOVA Észak-Alföldi Regional Innovation Agency, Debrecen
4	Spain	Polytechnic City of Innovation Foundation (CPI Foundation), Valencia
5	Spain	IMPIVA. Institute for the small and medium sized companies from the Region of Valencia, Valencia
6	Italy	Veneto Innovazione S.p.A., Venezia Marghera
7	Italy	Veneto Region, Venezia Mestre
8	Hungary	Észak-Alföld Regional Development Council, Debrecen
9	Germany	Development Bank of Saxony-Anhalt, Magdeburg
10	France	Regional Council of Champagne-Ardenne, Chalons-en-Champagne
11	Hungary	Észak-Alföld Regional Development Agency, Debrecen
12	France	Aquitaine Développement Innovation, Pessac
13	Hungary	Hajdú-Bihar County Council, Debrecen

PERIA aimed to strengthen the effectiveness of regional development policies, and the transformation of knowledge into new and marketable products and services, through the sharing of experiences and good practices, development of joint guidelines and methodologies, amongst Regional Innovation Agencies (RIAs). The ultimate goal was that RIAs can offer greater support to SMEs, and especially to start-ups, and micro and small companies with a staff of fewer than 50, in developing their innovation

projects. PERIA aimed to create an effective network of RIAs in order to learn from each other by sharing experiences and good practices, developing joint guidelines and methodologies.

Within the project, **pairs of regions were created to assess the transferability of 8 practices out of the 52 practices identified and documented⁷⁷**. This resulted in **3 successful implementations/adaptations** (darker orange in Figure 15). Another outcome of the project was the effective networking developed between the RIAs involved directly in the project, which will impact the SMEs supported at local level in the long term.

As the focus was on improving the efficiency of RIAs and their policies towards support to innovation in SMEs, all aspects of innovation capacity of SMEs were, in principle, included. In practice, the main emphasis throughout the project was on the following Good Practices:

- *Innovation vouchers* (4 regions from 3 countries proposed innovation voucher schemes) and other R&D funding opportunities;
- '*Cluster Management Services*' and other networking support programmes, corresponding to the barrier of 'weaknesses in networking';
- *Technology transfer services* and other SMEs/Universities joint R&D collaborative programmes or business cooperation.

Furthermore, some of the Good Practices also addressed the Innovation Systems theme (Regional Innovation Scoreboard, training activities for innovation support stakeholders, coordination of the innovation support stakeholder's actions...). As a matter of fact, the partnership's structure was very relevant to Innovation Systems as PERIA paired Regional Authorities and RIAs.

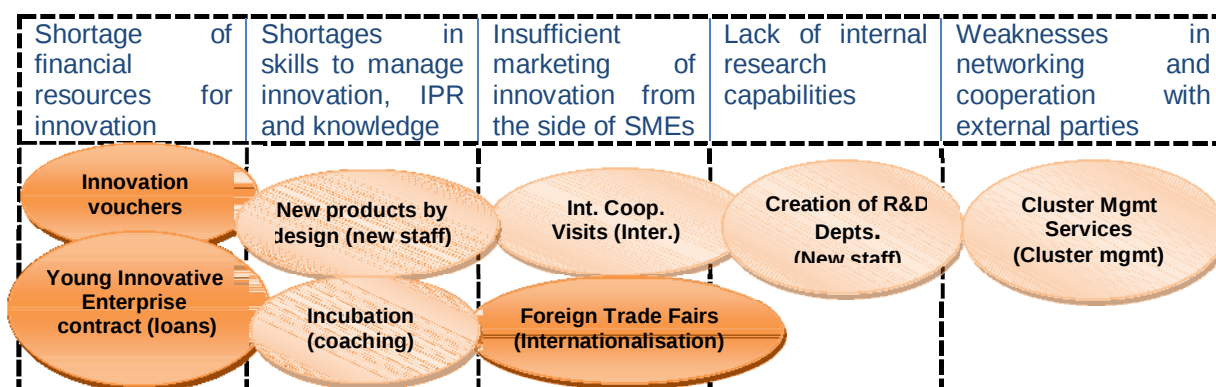
PERIA had a unique focus on the role and impact of RIAs and their policies, on the innovation capacity of local SMEs. By promoting the networking and the sharing of experiences amongst these intermediate organisations across Europe, it has reinforced their capacity, knowledge and skills to support local SMEs in their innovation strategies.

Good Practice analysis: PERIA addressed GP exchange through a 3-strand methodology:

- Defining principles and communication rules;
- Identification of GPs focused on RIAs;
- External evaluation.

The partners chose 8 GPs for feasibility studies by paired regions. Three of them have successfully been transferred. The positioning of Good Practices is presented below.

Figure 15: PERIA – Content Analysis



The *New Products by Design* initiative is very similar to the *Summer Design Office* initiative addressed in Mini-Europe. *New Products by Design* was developed within the Aquitaine region (France) by Innovalis and identified as a GP by the PERIA project. It is focused on providing SMEs with enhanced design capabilities through external cooperation.

Besides offering potential for policy learning and sharing through identifying and reviewing the measures (the approach followed in PERIA) the *International Cooperation Visits* and *Foreign Trade Fairs* also offer

⁷⁷ PERIA Good Practice Report available at <http://www.peria.eu/>

good potential for transfer, due to their simplicity of implementation and universal applicability. The **Foreign Trade Fairs GP** initiative offers a high transfer potential, and it has been **nationally adapted in Hungary** with the introduction of **new rules into current calls** of the operational programme. Although Hungarian partners of the project were at the regional level, they succeeded in adapting this good practice into a national programme.

PERIA also focused on addressing the shortage of financial resources for innovation and two good practices are in the process of being successfully adapted: *Innovation vouchers* from the Innovalis RIA (Aquitaine) to the Veneto Region and *Young Innovative Enterprise Contract* from the Champagne-Ardenne Regional Council was transferred to Valencia via the creation of a new funding instrument.

Finally, PERIA identified one GP that has also been identified within another INTERREG IVC project: the *I-CREO* GP from the Valencia Region (MINI-EUROPE project)⁷⁸.

Young Innovative Enterprise (YIE) Contract (Champagne-Ardenne, France): The Good Practice was developed by the Champagne-Ardenne Regional Council and addresses the shortage of financial resources of innovative start-ups by supporting them financially for the first 3 years of their existence through loans. The maximum support is of €200 000, the first €10 000 to €100 000 to finance the start of the activity and another €100 000 to finance the various phases of the innovation project (industrial research/experimental development). Furthermore, grants can also be allocated to a maximum of €30 000 for consulting services (training, advice on intellectual property rights, market research, technology transfer services, and technological assistance, etc.).

Innovation Vouchers (Innovalis – Aquitaine, France): The innovation vouchers help micro enterprises to start an innovation process by building up a first technological partnership with a service provider. The maximum subsidy is €10 000 with an intervention rate of 50 to 80%. It can be used to finance a wide variety of services: technical feasibility studies, tests, product characterization, prototypes, market survey, technical state of the art, modelling, and first patent registration expenditures. The service provider is paid directly once the company has paid its share.

Foreign Trade Fairs (Saxony-Anhalt, Germany): The purpose of the programme is to make it possible for SMEs to attend a foreign trade fair and thereby strengthen their market position. Eligible costs include stand space, the catalogue entry, printing and translation costs for information and marketing material and travel costs. The maximum rate of contribution under this scheme is 60 % and the maximal amount of the granted subsidy is €9 000. Expenses must be approved by federal and state government, and support for attending trade fairs is limited to three applications per company per year. The scheme is simple to transfer and to implement and offers good potential impact on SME business growth. It is currently implemented by the Investitionsbank in the Saxony-Anhalt region of Germany, with 100% ERDF funding. It is focused on facilitating internationalisation opportunities for SMEs, and it is a purely transnational initiative, relatively easy to implement – including at transnational level with cooperation from several regional agencies – and with high potential impact on SME innovation and growth.

Main Conclusions and Recommendations:

- PERIA has implemented a focused approach, with a clear segmentation of targets – focusing on Regional Innovation Agencies – and an emphasis on a relatively small number of Good Practices offering a good transferability potential; the results obtained in the project make a valid portfolio of activities and measures for regions wishing to enhance the services provided by their Regional Innovation Agencies.
- The process of addressing SMEs through intermediary organisations, such as the Regional Innovation Agencies, is well aligned with the INTERREG approach, and the synergy between organisations of the same type creates the basis for a lasting and sustainable cooperation between project participants.

⁷⁸ GP described in Annex 3 – Mini-Europe

SME innovation and promotion of RTD: SMART+

PROJECT DETAILS

Priority: Innovation and the knowledge economy

Theme: Innovation, research and technology development

TYPE OF INTERVENTION

Type of intervention: Regional Initiative Project

Mini-programme: Yes

Duration: 01/01/2010 - 31/12/2013

Website: www.smartplusinnovations.eu

BUDGET

Total budget: €4 004 000

ERDF contribution: €3 233 000



PARTNERSHIP



	Country	Institution, Town
1	Spain	Aragonese Federation of Municipalities, Regions and Provinces, Zaragoza
2	Germany	Aufbauwerk Region Leipzig GmbH, Leipzig
3	Poland	The Malopolska Region (The Marshall Office of Malopolska Region), Krakow
4	Greece	Region of Western Macedonia, European Programmes Office, Kozani
5	Romania	Cluj County Council, Cluj
6	Bulgaria	National Association of Municipalities in Republic of Bulgaria, Sofia

Lead partner:

Aragonese Federation of Municipalities,
Regions and Provinces
Mayor 40, 2^o-3^o
50001 Zaragoza
SPAIN

SMART+ covered the innovation capacity of SMEs in a broad sense, as a general and long-term objective. The short term operational objectives were focused on the competences of regional public officials and institutions and the analysis of the regional policy instruments and their adjustment according to the identified GPs and needs of the regional SMEs. The project was set up as a Mini-Programme supporting **7 sub-projects** and responsibility for policy action in **direct support of SMEs** was mostly transferred to these sub-projects. Each sub-project involved partners from at least 3 SMART+ partner regions. This had a multiplying effect on the number of public and public equivalent partners that participated in the sub-projects (21 in total).

The SMART+ mini-programme supported **6 sub-projects that addressed the ‘SME innovation capacity’ theme:**

Innovative and Responsible Tourism Territories (IART Territories): IART TERRITORIES aimed to create a business network in the field of sustainable tourism in each partner region. These networks supported SMEs by providing training in resource management planning, developing innovative products and territorial marketing, as well as in responsible, environmentally friendly tourism practices, society and the territory's resources. In addition, these networks built an online platform to promote the exchange of ideas, experiences and tools for entrepreneurship, securing financing and offering tools for joint marketing by the SMEs of all the European regions taking part in the project.

Strengthening Competences of Early Stage Finance Managers (Innofin): This sub-project was dedicated to the exchange of knowledge and experience regarding the early stage financing market in the three partner regions. It aimed to promote excellence and professionalism in the early stage financing sector in particular through training programme for practitioners/intermediaries.

Clusters and networks as successful drivers – guiding regions to competitiveness and innovation (regionet): The goal of *regionet* was to transfer GPs related to network management (establishment, coordination, hosting and moderation, implementation of R&D projects, etc.) between four partner regions in order to overcome obstacles to SME cooperation. Sub-project activities included regional seminars on cluster activities as well as the training of network management teams.

The Role of Innovative Services in the Tourism Market to Support Regional Development (Smart Tourism): The goal of the project was to exchange experiences on destination management (tourism) activities and GPs in mobile applications, to contribute to building regional tourism clusters and to set up collaboration projects on an inter-regional/international level. Pilot activities were focused on training.

SMEs Go Global Networks (SMEsGoNET): SMEGoNET targeted SMEs and HE & Research staff in the life sciences and related sectors, with the aim of increasing the capabilities of cluster-type initiatives. It also aimed to increase the ability of individual SMEs and R&D institutions to effectively collaborate within local and international networks, through a web-based training programme and a service website.

Transnational Renewable Energy Cluster (TREC): The goal of this sub-project was to create a transnational renewable energy cluster by setting up two regional clusters in Cluj, Romania and Western Macedonia, Greece and by learning from input from the members and from the GPs transferred by the existing renewable energy clusters and networks from Saxony.

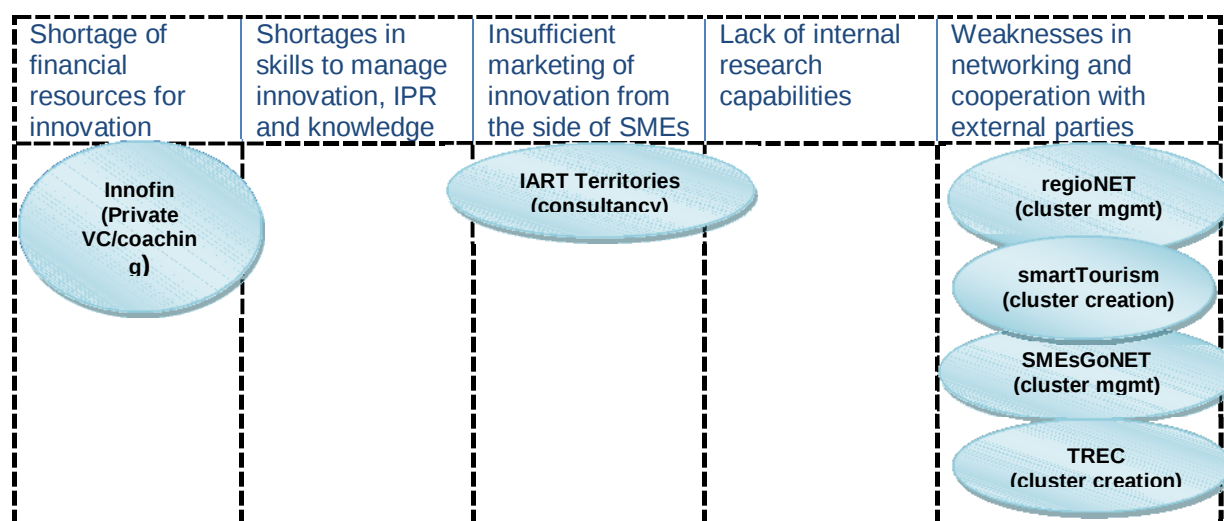
SMART+ targeted the improvement of the innovation capacity of SMEs following three main areas of development:

- Support for **development of innovative enterprise**
- Support for **development of clusters**
- Support for **development of cooperation between the research and SME sectors**

Its objectives and activities covered most of the barriers to innovation affecting SMEs, as currently identified in Europe, with a major focus on networking and cooperation and especially on establishing and managing clusters, which has emerged as the favoured tool for boosting SME innovation capacity. The **SMEs were always considered the main stakeholders** of the whole process.

Good Practice analysis: As SMART+ was a mini-programme that managed sub-projects, the analysis focuses on the mini-programme level.

Figure 16: SMART+ - Content Analysis



There is a clear concentration of selected sub-projects on a single topic, as a result of the response to a bottom-up call for proposals open for six topics (Consulting Services for SMEs, Cooperation between SME & Research Institutes, Financial Services for SMEs, Company-based Innovation Management, SME Network & Cooperation Management and Start-up and Spin-off Support). This result shows a clear trend towards the creation and management of clusters.

The SMART+ results were more about lessons learnt than Good Practices transferred; however, each partner generated Regional Action plans based on capitalization workshops between the sub-projects. Furthermore, guidelines for regional innovation policies were developed on the basis of the results from the sub-projects and published in the SMART+ Charter. The partners were able to make policy recommendations based on the sub-projects as well as on the individual Good Practices. These recommendations were then evaluated by regional experts for their:

- Financial burden
- Organizational efforts
- Expected effects in increasing regional innovativeness
- Regional applicability

The most applicable policy recommendations were highlighted: 8 **recommendations** based on the sub-projects and 12 based on individual GPs. The recommendations based on the sub-projects were fairly broad, and 3 of them related to Innovation capacity of SMEs:

- Encouraging local entrepreneurs to present their offer at international fairs, conferences and seminars, organized in cooperation with regional authorities, business environment institutions or entrepreneurs' associations, in order to foster business relations between regional SMEs and foreign partners or clients.
- Development of good regional practices which correspond more closely to the conditions faced by local entrepreneurs and their application in promotion of clusters.
- Development of programmes that will enable universities, R&D and SMEs to apply together for funding for joint R&D projects.

IART Territories: the SMART+ sub-project promoted the **creation of a network of tourism companies** that collaborate to **create innovative products** based on the endogenous resources of the territory and with **responsible tourism as a guiding value**. To achieve this objective, partners acted as a consortium leader for micro companies from the tourism sector in their regions, in order to assist them to **develop an international marketing plan**, to **establish a web presence** and to enhance their **digital skills**. The target was well defined and real added-value services were deployed at local level for final beneficiaries. This was a small scale measure with a good potential reach. It should be noted

that while several programmes and measures exist in many forms across Europe to assist SMEs with the transition towards a digital economy, many small and micro companies do not have the resources to access or implement them on their own. Targeted projects where partners play the role of consortium leaders for groups of such companies, such as in IART Territories, are one of the best ways to assist them.

SMEsGoNet: this sub-project targeted SMEs and HE & Research from the life sciences and related sectors. On the one hand, it aimed to increase the capabilities of **cluster-type initiatives** to define and manage joint initiatives that increased the competitiveness of its members, both local and globally. On the other hand, it aimed to increase the **capabilities of individual SMEs and R&D institutions to effectively collaborate within local and international networks**, to apply the **open innovation** concept in order to professionally leverage the diversity of resources available in the network and to strategically manage business innovation processes, including those related to learning and managing knowledge assets.

Main conclusions and recommendations:

- A sub-project such as 'IART Territories' highlights the potential role of regional intermediaries (the typical partner in INTERREG IVC projects) such as 'consortium leaders' for a group of SMEs (from a specific sector - in this case digital skills and internationalisation - region or with common needs), allowing them to overcome their limited resources through the contribution of those of the regional intermediary's (either internal or external, e.g. through external consultants). This reduces the distance between regional players and final beneficiaries (SMEs) and produces tangible results quickly.
- A different approach towards the same objective, equally relevant, is found in the sub-projects that address the establishment and management of clusters, such as Smart Tourism, TREC, regioNET or SMEsGoNet. This involves creating and reinforcing cluster management organisations that are supported by (but not run by) regional intermediaries. This allows for better services to be deployed to a specific group of SMEs (e.g. to the tourism sector, as in Smart Tourism, to the life sciences as in SMEsGoNet or to energy businesses as in TREC) in areas such as access to research & development infrastructures or developing an international presence. This approach has the advantage of sustainability, as the cluster management bodies that are created or supported may continue to exist beyond the life-span of the project.

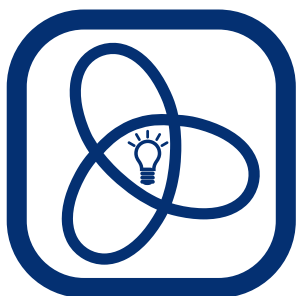
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