NEXTWORKS
ENGINEERING FORWARD

Simplification in EC Research Framework Programmes – an SME perspective

Simplify or die conference session
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The European SME

- 3 ranges in the definition:
  - Medium: < 250 employees or < 50 M€ turnover (or < 43 M€ balance sheet total)
  - Small: < 20 employees or < 10 M€ turnover / balance sheet total
  - Micro: < 10 employees or < 2 M€ turnover / balance sheet total
- SMEs in Europe (source Eurostat)
  - are ~ **20 million**
  - account for **99%** of businesses,
  - and **2/3 of jobs** in the private sector
  - **9 in 10 are micro**

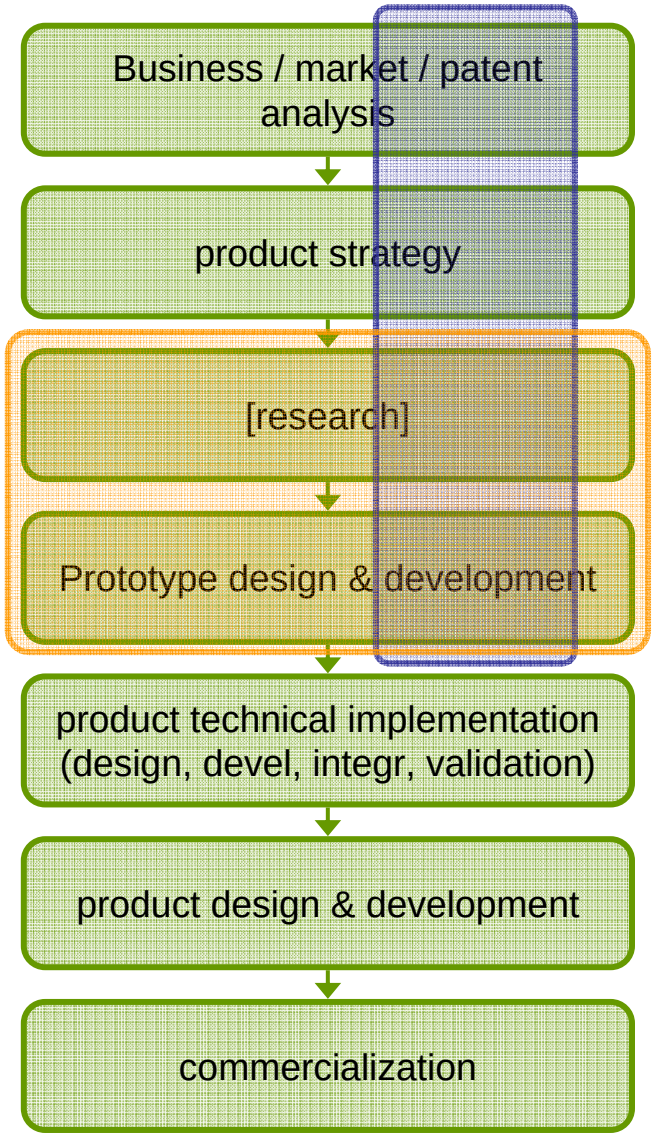
SME specificities w.r.t. large organizations

- Lower knowledge about funding opportunities and expertise in application
  - hard to have dedicated fund raising office in a micro SME
- Different product/service/process development timings
  - Smaller/shorter development projects, mostly driven by the (urgent) requirements of (prospect) markets or specific customers
- Smaller transnational scope of business, market and value chain
  - E.g. less than 1 in 10 SMEs have turnover from exports; less than 1 in 20 have subsidiaries abroad
  - Harder to set up a trusted relationship and a project consortium with foreign SMEs: IPR issues, markets overlaps, etc.

SMEs and R&D

- Different kinds of SMEs (seeking for innovation) in terms of R&D
  - With capabilities for R or D, or both
  - With no capabilities for either R or D
- Different kinds of research breadth and ambition
  - In terms of innovation
    - Limited: a small advancement to an existing product/service/process (e.g. tech improvements, pre-normative adaptations)
    - Average: the creation of a new product/service/process, based on the integration of existing technologies
    - High: an advancement with scientific and academic value, with a potential application to other fields
  - In terms of timescales
    - For limited to average innovation a scope of 1 year or less could be sufficient ⇒ lighter work organization complexity
  - In terms of scope
    - What entities are impacted? (that SME, that SME group, that SME sector, many more – including large organizations)
    - What is impacted? (1 single product/service/process, many products /services /processes)
    - What markets? (1 specific market, several markets)
- Need to find the right call, at the right time, where the targeted R&D fits

Accessing funding: what's in scope?



- Depending on the funding scheme
  - EC supports part of the product (/service, /process) development phases
  - … or just sub-slices (e.g. supported R&D focuses only on some product/service components)
- But the core phases (from strategy to design & development) might be
  - highly interleaved in SME processes
  - generically planned for internal purposes

Accessing funding: project setup and execution

- SMEs plan & execute the product/service/process development/evolution according to internal standards and procedures
- Getting EC funding support means
  - Exposing parts of this plan to other parties in a proposal consortium
    - …only those parts that are eligible for funding (e.g. research and development up to prototype)
  - Package or rethink this part according to specific templates
  - Sync/adapt this part of the plan with a broader project workplan
- So, 2 projects for the same R&D track
  - The “internal” project (subject to change in scope and timings)
  - The “external” one (i.e. the one funded by the EC)
  - Need to keep them as aligned as possible
- Need to limit the burden of the “external” project on the “internal” one
  - Limit the overhead; i.e. what an SME needs to do for the external project, which won’t be done for the internal one
- E.g. deliverables and milestones
  - Useful for project tracking, both internally and externally
  - Up to what point the external project Ds and Ms are a useful and tolerable overhead?

Simplification: where do we start from?

- Several options for EC R&D funding in or around FP7
  - FP7 Cooperation research themes, JTIs, Research for the benefit of SMEs, Eurostars, etc.
- From an SME perspective, EC funding for R&D
  - is clear/simple to some extent in terms of information, rules and procedures (compared to some National or Regional funding)
  - allows for a variety of top-down R&D topics and bottom-up schemes, and project consortium requirements
  - is reliable from a financial viewpoint (i.e. regular and timely grant payments)
  - …of course, could be improved

Current simplification plans of impact for SMEs

- Full integration of grant management processes
- Open calls with cut-off dates
- Two-stage submission applied more widely
- Smaller consortia allowed
- Financial simplifications (e.g. related to personnel cost claims)
- Lump sums to account for SME shareholders working in the company with no fixed salary
- ? Results-based vs. cost-based
  - What is a *result* in case of a small scope R&D project with SMEs? Prototypes? Products on the market
  - Option #1 to be preferred (negotiated lump sum) for small R&D projects; #2 and #3 difficult to apply
    - hard to set a pre-defined lump sum for bottom-up schemes
    - hard to establish trust ex-ante for SMEs, or count on self-credibility incentives
  - In general, much deeper, more frequent and expensive project periodic reviews are likely to be needed

From: "COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - SIMPLIFYING THE IMPLEMENTATION OF THE RESEARCH FRAMEWORK PROGRAMMES", COM(2010) 187, 29 April 2010

Possible (further) simplifications [1]

- **Simplify the access to information**
  - Good enough, but still not 100% straightforward for an inexperienced SME
- **Continuous calls**
  - Need for innovation activities might rise at any time in SMEs, and might be meaningful only if started and completed within few months
- **Wider adoption of bottom-up funding schemes**
  - i.e. flexibility for the innovation technical area
- **More flexible proposal and review documentation & monitoring** (in case of bottom-up schemes)
  - Allow SMEs to present their internal draft plans; don't expect a highly professional work organization for short innovation projects in a micro SME
  - possibility to deliver excerpts of internal documents and of prototypes for the external project reviewing process
    - i.e. expect shorter and more "cryptic" and less self-explaining docs
  - On-site reviews with demos or prototype inspection tell a lot about how the project is progressing; the rest would be for remote paperwork
    - *"I'm progressing well with the project you're funding, please come and see, with no extra 'packaging' effort for me"*

Possible (further) simplifications [2]

- **Multi-stage proposal evaluations and progressive grants**
  - Limited info and work required at stage 1; e.g. high-level concept, objectives and intended (own) impact
  - Initially assigned a part of the grant if positive, to kick-off the activity
  - To be refined at later stages, the closer it gets to the full funding: details, work planning, etc.
  - Multi-stage could allow consortia engineering by the EC
- **"Easier" project consortia**
  - E.g. no requirements for multiple SMEs would avoid IPR issues among SMEs with the same market and role
  - E.g. no requirements for research organizations if the SME demonstrates own R&D capability
  - Transnationality is key, but might be added at later stages
  - Useful to force the inclusion of potential end-users
  - Extending the impact to a broader dimension could happen along the way, e.g. using tools from other programmes (e.g. CIP)

The ideal condition for SMEs

- Open calls,
- where an SME can apply alone or with the partners needed to carry out
- its innovation project (small or large, light or deep, with a local or transnational scope and impact)
- with a small initial step to expose its idea and plans,
- and a closer EC monitoring for work review, project improvement and further grants

- … might be harder for EC to manage this
- But simplification on one side might imply increased complexity on the other side!

Thank you!

Questions?

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