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## Comments from VINNOVA<sup>1</sup>

### – Public consultation on Community Innovation Policy

VINNOVA welcomes and supports the efforts to discuss and further develop Community innovation policies and we are grateful for the opportunity to contribute through this public consultation, as well as through the three PRO INNO projects in which we are engaged.<sup>2</sup> VINNOVA also agrees with the general description of the importance of innovation for long term sustainable growth and as a mean to address major societal challenges, as well as the observations on how the preconditions for innovation in Europe and the rest of the world are changing rapidly.

#### Comments on the review

The condensed presentation of the recent developments within the European innovation and research policy landscape is informative and sheds some light on the remaining problems of getting different policy areas on the Community level in sync to achieve greater impact, as well as coordinating EU-level efforts with member states policies. This is especially true with regards to the improvement of specific instruments. However, what is lacking is a more general description of the size and objective of existing programmes and instruments, which would provide a useful common ground for the discussions on the design of the forthcoming

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<sup>1</sup> These comments have prepared by VINNOVA after consultations with Swedish Energy Agency and Swedish Council for Working Life and Social Research (FAS).

<sup>2</sup> VINNOVA coordinates the INNO-Net on innovation support services for SMEs – INNO-Partnering Forum, and participates in the INNO-Net on innovation in services, EPISIS as well as the INNO-Net on clusters, TACTICS.

Community innovation policy. How large are existing programmes and instruments? How many of these are up for discussion and reform in the Community innovation policy? If yes, to what extent? What is the vision and assessment of the COM when comes to the question of coordination of the innovation policies of the member states? *etc.* To conclude, VINNOVA would like to urge DG ENTR and other DGs responsible for other innovation related policy areas to continue the efforts of the Swedish presidency to improve the governance structure of research and innovation policy in order to move towards increased coherence and synergies between policies and instruments.<sup>3</sup>

### **European Added Value**

As always when discussing EU initiatives, *European added value* should be the overarching guiding principle. Hence, before introducing new EU-level instruments and programmes, the rationale for conducting them on supranational level must be assessed. As the Public consultation of the effectiveness of innovation support in Europe shows, both businesses and institutional actors state that there is no lack of innovation support measures. What is lacking is coherence and critical mass.<sup>4</sup> Therefore, a future Community Innovation Plan should focus on measures in which the transnational or Pan-European rationale is clear and where impact and scale effects are evident. It should also work to identify the most effective policies and instruments and initiate a process to phase out the ones that are less effective in order to decrease the complexity of the policy landscape and to make room in the budget for measures with the most potential in supporting innovation for Europe.

### **Grand Challenges**

Europe currently faces a number of urgent Grand Challenges. These challenges comprise climate change, an ageing population, security, health, energy, transport, environment, and societal integration including marginalization, sustainable work

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<sup>3</sup> See for instance the presentations from the seminar on "Research and Innovation Policies - Exploiting synergies for Sustainable Growth in Europe" arranged by VINNOVA with the support of DG Enterprise in association with the Swedish EU presidency 2009 in Brussels, July 14. (<http://www.vinnova.se/euordforandeskap/Passerade-ordforandeskapsaktiviteter/Research-and-Innovation/>).

<sup>4</sup> COM SEC (2009) 1197. Final Making public support for innovation in the EU more effective: Lessons learned from a public consultation for action at Community level.

and unemployment. As stated in the Lund Declaration, identifying and responding to these Grand Challenges must involve stakeholders from both private and public sectors.<sup>5</sup> Having Grand challenges form the basis for Europe's future innovation policy has a number of advantages. Firstly, its visionary character helps all parties involved look beyond existing structures and break free from current lock-ins. Secondly, addressing Grand Challenges could help to increase the tolerance for risk, which in turn, would increase the number of large impact programmes and high-yielding projects. Thirdly, The Grand Challenge concept strengthens and changes the rationale for innovation support measures since these challenges cannot be solved without concerted actions from the public and private sector. This is different from the traditional competitiveness argument, where public actions are viewed as a potential way to improve the function of the market. As Grand Challenges are turned into opportunities and motivation for change, the creation of effective public-private partnerships, including innovative SMEs, will be fundamental. Fourthly, when better defined, the Grand Challenges could serve as a basis for future prioritization. Moreover, because of the global nature of many of these problems, proposed solutions must also take into account the international dimension. It should also be clear that the grand challenges imply a pivotal role for social innovations, and more generally speaking, a broad perspective on the innovation concept.

### **Release the Potential of the Single Market**

As one of the strongest pillars of the European project, the single common market has been a powerful instrument to increase the prosperity of its citizens. And even though the markets for many products are well integrated, others are not, which is often due to national system lock-ins or path dependencies. However, it should be remembered that despite increasing global competition, and fast growing markets around the world, the fact remains that the European Single Market is still the largest in the world. The Community Innovation policy could be used as a way to break free from existing lock-ins and to release the full potential of the *single market*.<sup>6</sup>

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<sup>5</sup> Lund Declaration. From the Swedish Presidency Conference "New Worlds, New Solutions", Lund, July 6-8, 2009.

<sup>6</sup> This point was highlighted by a number of high level business and public actor representatives participating in a workshop arranged by VINNOVA in association with the

Important efforts to release this potential include the introduction of research funding mechanisms by which the COM, the member states and businesses join forces to develop European solutions, such as the Joint Technology Initiatives, Joint Programming, and the European Technology Platforms. The Lead Market Initiative is another example of an attempt to align different interests in order to stimulate transnational solutions and achieve critical mass based on the existence of the single market. A third is the introduction of a community patent. A fourth, mentioned in the current review of existing measures, is standardization, where VINNOVA supports the Commission's work to stimulate concerted efforts from European actors in international standards negotiations. This is of special importance since several of the Grand Challenges, such as the technological solutions required to reach a carbon-free society have a systemic character.<sup>7</sup> The EU Strategic Energy Technology Plan and its European Industrial Initiatives is another important effort to promote development and innovation to meet the grand challenges of climate and security of energy supply. In this context, VINNOVA believes it is important to identify key enabling technologies, relevant to Europe's future competitiveness, and to help bring them to industrial deployment. As stated in the communication on key enabling technologies from the COM, this is important to "strengthen the EU's industrial and innovation capacity to address the societal challenges ahead".<sup>8</sup>

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Swedish presidency in Berlin on March 17, 2009. The objective of the workshop was to prepare the Presidency conference "New worlds-New Solutions" and give input to the Lund declaration. Summary reports from the four preparatory workshops arranged by VINNOVA, the Swedish Research Council, Swedish Council for Working Life and Social Research (FAS) and Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning (FORMAS) are available at [http://www.se2009.eu/en/meetings\\_news/2009/7/7/new\\_worlds\\_new\\_solutions\\_research\\_and\\_innovation\\_as\\_a\\_basis\\_for\\_developing\\_europe\\_in\\_a\\_global\\_context](http://www.se2009.eu/en/meetings_news/2009/7/7/new_worlds_new_solutions_research_and_innovation_as_a_basis_for_developing_europe_in_a_global_context).

<sup>7</sup> See also European Commission (2009) *The World in 2025 – Rising Asia and socio-ecological transition*.

<sup>8</sup> COM (2009) 512/3, Preparing for our future: Developing a common strategy for key enabling technologies in the EU

## Support for SMEs

The strength of the European economy has during the past century mostly been dependent on large and established firms. Many, if not most of these firms operate multi-nationally, moving their activities where knowledge, technology and market conditions are most favorable. This implies a new competitive landscape for Europe. In this setting, SMEs are becoming increasingly important as change agents in the economy, as important channels for commercialization of research and as sources of new growth companies. Two groups of challenges are especially important when it comes to stimulate the growth of innovative SMEs:<sup>9</sup>

1. Improve measures to support innovation in SMEs in order to:
  - stimulate growth
  - foster internationalisation
  - make SMEs more attractive for private capital markets
  - make SMEs' innovation processes more effective
  
2. Improve the efficiency and effectiveness in providing public innovation support in order to:
  - improve inter- and intra organisational learning platforms for multilevel governance and policy support across Europe
  - increase the leverage of public support with smarter, more efficient and effective innovation support
  - ease the access for SMEs to public support schemes
  - increase policy initiatives that stimulate the demand of innovation

However, the solutions addressing these challenges must be firmly based on a European Added Value perspective. This is especially important when it comes to public support to SMEs, since assessment of growth potential and

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<sup>9</sup> These challenges have been identified by the consortia behind the recently launched INNO Partnering Forum, which has received funding from the COM under the PRO INNO Europe scheme. The consortium is coordinated by VINNOVA (Sweden) and includes the following organizations: Enterprise Ireland, TEKES (Finland), FFG (Austria), SenterNovem (The Netherlands) and the Technology Strategy Board (UK).

competencies of SMEs applying for support often requires local knowledge and proximity. These are also important features when it comes to the monitoring of on-going projects, which is best served by a trust-based approach focusing on results instead of the accountant perspective of the current financial regulations. Another negative feature of current Community Programmes, especially problematic from the point of view of SMEs, is the prolonged selection processes. As a contrast, multilateral collaborations, such as EUREKA and EUROSTARS, are often brought forward as examples of regulations more adapted to the reality of targeted group of SMEs. Preferably a future Community Innovation Policy should include the possibility to top-up successful multinational or national programmes as was done in the case of EUROSTARS.

Having made the above argument, VINNOVA would like to stress that there is still room for European initiatives to strengthen SMEs. One is the introduction of large scale demand-driven scheme where a small percentage of the resources allocated for public investments are earmarked for SMEs. Another field where a European solution would greatly benefit innovative SMEs is increased access to capital. One possible way could be to increase in the budget of EIF and EIB designated to guarantees for loans to innovative SMEs. In this way risks are hedged, but pooled at a European level. It also means that risks are shared with private actors, and that decision are made by innovation and venture capital experts as was requested by many actors in the Public consultation on the Effectiveness of Innovation Support in Europe.

### **The Importance of the Knowledge Triangle and Research Based Innovation**

Although we acknowledge the need to broaden the innovation concept to include eco-innovation, open innovation, service innovation, business model innovation, design-oriented innovation and social innovation, VINNOVA believes *research-based innovation* remains one of the central pillars for sustainable growth in Europe. Europe spends a great deal on research, but we must become better at getting return on that investment. Creating a climate which promotes the inquisitiveness and risk-taking of individual researchers is one necessary condition for Europe to be able to handle future challenges. However, while this condition is necessary, it is far from sufficient. Europe must also make sure the individual researcher's excellent ideas and ground-breaking theories can be transformed into products, services and contribute to solving the Grand Challenges facing our society. For this to happen, European institutions must allow for original ideas and

concepts to flow easily between the different key actors, such as universities, large firms, SMEs, research institutes and public organisations. In this context, the importance of reforming the European university system must be stressed. In the future, universities must aim at creating environments based on the concept of *the knowledge triangle* (higher education, research and innovation). In these environments, innovation and entrepreneurship should be encouraged, and mobility between the academic and business world should be promoted. In these environments, innovation and entrepreneurship should be encouraged, and mobility between the academic and business world should be promoted. Inspiration for policy design in this area could for instance be extracted from the EIT and the “Open knowledge institution” concept introduced in the recently published ERAB report.<sup>10</sup> The possibility of using structural funds in the knowledge triangle context should also be considered.

### **Globalization**

An effective forward-looking innovation policy must take into account the globalized world we are living in. VINNOVA finds that global perspective should have been more clearly emphasized in the communication from the Commission. Regions outside of Europe are increasingly attracting and generating knowledge and innovation by increasing their global competitiveness for knowledge resources. How can Europe not only meet, but benefit from, the global competition of new and rapidly growing producers and users of knowledge and innovation outside its borders? Countries such as China, India, Brazil, among others, benefit from a combination of rapidly increasing human capital, R&D expenditures and dynamic markets. Customers and users of European innovation are increasingly found outside of Europe. One important question in this context becomes how to promote needs- and user-driven innovation when the needs and users to an increasing degree are found outside of Europe. One important aspect is if and how public actors might support European companies, especially SMEs, in their efforts to establish operations in the emerging markets. Since every BRIC country is larger than most European countries decentralized actions from every member states runs the risk of small impact and visibility. Consequently, the rationale for common European solutions in this field might be strong and should be further

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<sup>10</sup> Preparing Europe for a New Renaissance: A Strategic View of the European Research Area. First report of the European Area Research Board – 2009.

investigated. Another is how to increase the attractiveness of European companies and knowledge institutions in order to attract top talents from emerging regions.

### **Service Innovation**

Service innovation is the focus of the EPISIS project, in which VINNOVA participates. Here, it is emphasized that existing national and COM instruments need to be adjusted as the focus of market exchange is shifting from products to an understanding of the process of value creation. Service is value creation for the customers and builds on cooperation between customer and supplier. Service delivery is a process where communication is central and the service offer is often enabled by technology. The new innovation patterns emphasize solutions and points to opportunities for expanding the market by assisting the customers in the process of value creation. Service development is a continuous process that, in opposition to a traditional separate R&D project, is often embedded within firms. Consequently, we need to acknowledge that renewal can be a process that is always already at work in firms, where new ideas stem from employees as well as users/customers.

### **Impact logic assessment and monitoring**

Finally, VINNOVA would like to stress the importance of thorough impact logic assessments before launching new instruments. The experience from VINNOVA is that this is very useful both as a way to produce a better knowledge base before deciding to launch a programme, and to decide upon programme objectives that are possible to reach by the implementing organization with available budget. The exercise to conduct impact logic assessments is also the basis for designing and collecting the right kind of data for appropriate monitoring of the projects in relation to the objectives.<sup>11</sup> We believe an evidence-based innovation policy is necessary at the member state as well as the community level. Therefore, we propose that foresight and impact logic assessments must play a much greater role.

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<sup>11</sup> For more information on VINNOVA's work with Impact logic assessments, Monitoring, Evaluation and Impact Analysis see VINNOVA (2007) *VINNOVA's Focus on Impacts*. VINNOVA: Stockholm. <http://www.vinnova.se/Publikationer/Produkter/VINNOVAs-Focus-on-Impact/>



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As stated in the ERAB report, we must create “a shared responsibility between science, policy and society, where public policy is based on evidence”.<sup>12</sup>

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<sup>12</sup> Preparing Europe for a New Renaissance: A Strategic View of the European Research Area. First report of the European Area Research Board – 2009.