



Ideas for a European Innovation Council

Summary of a validation workshop with stakeholders
held on 13 July 2016

EUROPEAN COMMISSION

Directorate-General for Research and Innovation
Directorate B — Open Innovation and Open Science
Unit B.1 — Open Innovation

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Luxembourg: Publications Office of the European Union, 2016.

PDF

ISBN 978-92-79-60675-5

doi: 10.2777/739060

KI-02-16-748-EN-N

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Introduction

Over 100 stakeholders, predominantly from the private, research and public sectors, gathered in Brussels on 13 July 2016 to discuss the outcomes of a call for ideas, held between 16 February and 29 April 2016, which sought stakeholders' views on disruptive, market-creating innovation, on gaps in the current innovation support landscape and on the potential remit of a possible European Innovation Council (EIC). The aims of the workshop were to verify that the report collating the responses fairly represents stakeholders' views and to generate additional insights in order to inform the setting up of a potential EIC.

This summary constitutes a mere factual record of stakeholder views, which were varied, often converging, sometimes conflicting. The discussions on a possible EIC are still at an early stage and the legal nature, structure, membership, competences and functions have not been defined. Any references to its "remit" only reflect the answers given by stakeholders who participated in this consultation exercise and will not necessarily translate into any specific policy actions taken by the European Commission.

This report is grouped into four sections following the structure of the workshop:

- i) Theme 1: Awareness & Accessibility
- ii) Theme 2: Funding opportunities
- iii) Theme 3: Proposal evaluation
- iv) Theme 4: Follow-up & Mentoring

i) Theme 1: Awareness & Accessibility

The discussion revolved largely around three issues - the web interface for innovators seeking EU innovation support, the network of intermediaries including the National Contact Points (NCPs) and the Enterprise Europe Network (EEN), and wider communication and marketing of the EU innovation support 'offer'.

Improvements to the web interface

Participants largely agreed that there is a real need to improve the user-interface for EU innovation support. Some of the suggestions included: tailoring the type of information presented to visitors to avoid information overflow, using simple language and avoiding acronyms, making the user interface more dynamic and giving clear and thorough guidance (for instance, through a tutorial or a self-diagnostic tool). It was also suggested that the website could be complemented by a mobile application, providing automatic notifications on calls relevant to the user, and that the website should be tested by users before being published. Several participants argued that any future EU innovators' portal should not be limited to Horizon 2020 but also provide links to relevant funding and support in other programmes (e.g. Eureka, European Institute of Innovation and Technology (EIT), national programmes). The website could also be upgraded with an interactive feature to facilitate the search for consortia partners.

National Contact Points (NCPs) and Enterprise Europe Network (EEN)

It was suggested that the NCP and EEN networks could be reinforced to work better together and to target innovators. Some argued that innovation support should not be dispersed across the different types of instruments but instead be presented in one place, with complementary funding at local and national levels clearly signposted. These support offices could be in more direct contact with other Directorates-Generals (DGs) and initiatives within the European Commission (for instance DG Education and Culture and the EIT), and they could receive better training on the funding opportunities and ways to support potential beneficiaries. A help desk or assistance hub at EU level was deemed useful by some, who argued that it will help innovators who approach the EU directly. On the other hand, others argued that such a function is not necessary and that a well-designed web interface and well-functioning NCP and EEN networks are sufficient. The issue of language to be used also came up frequently in the context of a possible centralised support desk. Some pointed out that the NCPs and EENs are just a few of many intermediaries that help innovators access EU funding, and that technology transfer managers and facilitators at incubators could also be trained to provide information on EU funding opportunities.

Better communication and marketing

Participants largely agreed that EU innovation support could be better communicated and marketed. However, some pointed out that the unwanted side-effect of a successful communication campaign might be an additional increase in applications and consequently a further decrease in success rates for funding. In more concrete terms, it was argued that a communication strategy needs to make good use of success stories, target specific audiences and make use of existing networks (including EEN, NCP, but also European Technology Platforms, Public-Private Partnerships, etc.). The EIC 'brand' could further benefit from a new, simple visual identity. Ambassadors and champions could help and build an EIC's reputation and prestige.

ii) Theme 2: Funding opportunities

The discussions focused largely on possible adjustments of existing funding instruments in order to support breakthrough innovation more effectively, as well as to links to the European Investment Bank (EIB) and the European Investment Fund (EIF).

Improving existing funding instruments

Participants generally endorsed the idea of making the SME instrument genuinely bottom-up, i.e. to have no thematic restrictions, to be continuously open to applications, to have a greater focus on the individuals/teams, to be implemented faster and to have better links to other financial instruments. Some took the view that the SME instrument and Fast Track to Innovation (FTI)¹ should support all forms of innovation (including business models, service innovation), while others considered that the main focus should be on research-driven innovation. Keywords were speed, simplicity (in order to limit the administrative burden for companies), user-friendly forms and flexibility.

Available funding could also be increased to fund more excellent proposals and increase the current low success rate, which discouraged some companies from applying to the SME instrument and FTI. There could be greater focus on the 'people' dimension and greater willingness to support high-risk projects, which public support could help de-risk. It was also argued that more effort could be focused on supporting the company along the innovation lifecycle rather than just on the basis of individual projects, although closer-to-market support could leverage a higher level of private sector investment. Funding opportunities could be better adapted to the needs of companies and all existing instruments could be more streamlined (i.e. grants, loans, venture capital (VC)).

It was suggested that the scope of a possible EIC could include FTI and Future and Emerging Technologies (FET) Launchpad². The possibility of European Research Council grantees graduating to the SME instrument was also mentioned. There was broad support for the continuation of the FTI pilot.

EIB, EIF and new instruments

It was considered that the various EIB and EIF risk capital instruments should have greater visibility as they have a key role to play in helping companies to scale up and tackle the lack of available risk finance (notably in the €3-10 million range), which is driving too many promising European companies to the US. The potential for hybrid equity/loan instruments could be looked at, alongside other vehicles such as venture debt and convertible loans. The scope for blending grant and financial instruments could be further explored. There was also a case for devoting more

¹ The Fast Track to Innovation (FTI) pilot is a fully-bottom-up measure in Horizon 2020 to promote close-to-the-market innovation activities, and open to all types of participants.

² Future and Emerging Technologies (FET) Innovation LaunchPad proposals must build on results from an ongoing or recently finished project funded under the 7th Framework Programme or Horizon 2020 by any of the three complementary lines of action of FET.

resources to the proof of concept/investor-ready stage, and to demonstrating the technical and commercial viability of new ideas including also at the pre-company formation stage. More attention could be paid to supporting incubators/science hubs in fostering links between researchers and entrepreneurs. One of the issues raised concerned cross-border investments where fiscal barriers still exist within the EU for VCs and business angels preventing them from making appropriate investments.

Funding pipeline

There was some discussion of whether a 'seal of excellence' should be put in place, whereby projects could be pre-selected at national level and submitted for possible funding at EU level (the reverse of the current Commission letter of recommendation for SME instrument projects above the quality threshold but below the funding level).

In order to help funded projects leverage private funding, it was argued that business and investors should be strongly involved in the evaluation of proposals. Also, the result of the proposal evaluation could distinguish poor proposals (to be definitely excluded) from potentially excellent proposals that should receive feed-back from the evaluators to improve and be in position to receive the appropriate funding.

iii) Theme 3: Proposal evaluation

The focus of the discussions was largely on optimising the evaluation of SME instrument proposals. The two key messages were: i) do not reinvent the wheel — learn from best practices of the European Research Council, national and regional innovation agencies, and also from how equity investors and lenders assess companies and the ideas behind their innovations and ii) be clear to all parties involved in the innovation process that a greater focus on market-creating innovation means accepting more risk.

Evaluation process

Overall, participants argued for creating a closer interaction between applicants and evaluators, and for lessening the reliance on form-filling. Form-based assessment were perceived to be acceptable as a first filtering step but this stage should be followed by short, face-to-face interviews (possibly via Skype) with key members of the proposer's management team, as a major part of the final selection process. It was argued that video pitches would not be suitable: their production would likely be outsourced to professionals, and the result may not enable evaluators to assess the qualities of the team and ask spontaneous questions. Form-data and interviews could be complemented with more desk-research and data-mining on firms and founders. The question of the current anonymity of evaluators could be re-examined in the context of introducing interviews. Some participants stressed that the evaluations of resubmitted proposals need to be consistent.

Participants largely tended to agree that more feedback needs to be given, which could be more customised and provided in a coaching and mentoring feedback style. Clarity was deemed essential: it should be indicated when proposers need to scrap what they have submitted and start all over again.

Evaluation criteria

Some participants suggested that the right approach is to adopt the stance of a VC or business angel investor. More emphasis could be put on 'impact', and 'investability' could be added as an evaluation criterion. 'Intellectual Property readiness' was also deemed important: to what extent do the key ideas in the proposal constitute protectable intellectual property and hence collateral, and ideally, are these ideas already protected? The credibility of business/commercialisation plans could be more closely examined and it could be considered whether some weight should be given to the extent to which applicants for SME Instrument grants have already secured funding or match-funding commitments — grants, loans, equity — from any source.

It was argued that there is currently too much focus on technology-based innovation and TRL levels: market-creating innovations more often come from services and new business models, sometimes applying existing technologies. Also, some weight could be given to social impacts.

If and when loans, equity, new forms of grants (such as reimbursable grants) or blended finance are made available, appropriate, instrument-specific evaluation criteria should be adopted.

Evaluators

It was largely agreed that evaluators need to be selected and treated very carefully. This could be reflected in the tone and substance of media communications. More evaluators with a business, 'experienced investor' or 'seasoned entrepreneur' profile should be used as well as possibly end-users (consumers in B2C model, businesses in B2B).

To recruit and retain evaluators with such profiles, it would be important to offer adequate remuneration and offer reputational and potentially other non-monetary rewards. On reputation, tracking evaluators' performances in terms of picking winners and giving recognition to star performers could be considered. This recommendation was contested by some participants. Evaluators could also be supported in building up a community of 'experienced European innovation evaluators'.

iv) Theme 4: Follow-up & mentoring

Discussions revolved largely around various elements of an 'after-sales service', which is important to ensure that the funding awarded has as great an impact as possible. Another part of the discussion focused on the possible ways of measuring performance.

A clear need for soft support (advice, mentoring, coaching)

Participants agreed on the importance of advice and mentoring for innovators. One called them 'soft support' (meaning not financial), some pointing out that good soft support may well make the difference for market success. Among the examples mentioned was a week's training course on how to operate as a researcher in the business world, how to work with financiers in various stages of financing rounds (including EIB and EIF and the banks and other intermediaries backed by them) and on the protection of know-how. Some favoured organising networks to meet partners and bringing together projects from various programmes around topics, in order to encourage cooperation. Some advocated that proposal evaluators could also become mentors for projects later on but others warned against conflicts of interests.

Build on existing support networks

Many organisations already provide soft support, such as incubators, open company labs (like 'fab labs' that are open to SMEs to use the equipment, test products or get advice), innovation agencies, EIT, EEN, NCPs, Eureka, the Horizon 2020 SME instrument. Experiences with their performance varied. Overall, many felt that existing structures could be reinforced instead of setting up new initiatives. An example mentioned was a possible innovation award, with first rounds at regional level, then national, and the final contestants could then go to the EU level. Some suggested developing a training for NCPs on how to help young innovators apply for Horizon 2020 funding, how to get access to financial instruments and how to help them access professional networks of suppliers, customers and partners. Successful applicants could receive customised support.

Structural funds and private investors could do more

It was argued by some participants that European Structural and Investment Funds (ESIF) could do better on soft support for innovation, for instance through funding of NCPs, setting up of VC funds, organising business angel communities, or setting up voucher schemes. Some participants warned against combining Horizon 2020 and ESIF in a single project as the financial rules differ. Some mentioned the state aid limitations imposed on innovation support for projects that are too close to the market. It was recognised that this is a matter for the regional authorities managing ESIF. An EIC could encourage these authorities to use the possibilities for innovation support.

Participants agreed on the importance of private capital to finance innovative companies. Some complained that their country lacked indigenous venture capital (VC) and that foreign investors come in to buy promising companies. An EIC could work on improving private risk finance.

Showcasing is essential

Some participants mentioned that providing visibility to projects is also a valuable form of soft support. The Cordis website does this, but some participants found it difficult to navigate and unattractive for innovators. The seal of excellence for SME instrument projects above the quality threshold but below the funding level was mentioned as a useful quality stamp. A similar scheme could also be considered for successfully finished projects. Companies could use such a letter to convince investors and other partners.

Importance of flexibility

The circumstances within which innovative projects, especially those involving small companies, are implemented may change during their lifetime. It was mentioned by some participants that there should be more flexibility with the projects and the Commission to adapt plans if needed.

Spotting success cases and performance assessment

Many participants agreed that market-oriented criteria should be used to spot success cases (such as increases in sales, turnover, exports, staff numbers, follow-on investments from private sources). In this context some argued against concentrating on the low Technology Readiness Levels and advocated clearly market-oriented programmes. Indicators for performance assessment are to be treated carefully, and any performance measures could be linked to markets.

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