



Response to the Consultation on the European Commission's Green Paper on Changes to EU Research and Innovation Funding

From the IMP³rove European Partner Network

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1. Introduction and Management Summary

IMP³rove¹ - the European Approach to Innovation Management is based on a holistic approach to Innovation Management that aims for sustainable growth of enterprises - mainly of small and medium sized enterprises (SMEs). IMP³rove is supported and driven by innovation professionals throughout Europe and beyond. These professionals represent comprehensive experience in rendering innovation management support services and in innovation funding.

IMP³rove very much supports the objectives of the Innovation Union. Especially the focus on “more jobs, improved lives, better society”² is in line with the objectives of IMP³rove – supporting enterprises in sustainable and profitable growth by innovation. The Innovation Union also takes a holistic view on innovation as pre-requisite to master the future challenges of societies and economies in Europe. IMP³rove research has already provided insights in the growth potential resulting from product, service, process, organisational or business model innovation in the various industries³. The results clearly show that a balanced view on all these types of innovation is mandatory. Concentration only on R&D and product innovation would be fatal for reaching the objectives of the EU 2020 strategy and the Innovation Union.

IMP³rove’s experience with EU and national public funding of R&D, innovation and competitiveness also strongly suggests further developing Innovation Management as a key success factor for achieving the objectives of the Innovation Union. The successful up-take of research results by organisations that lack effective Innovation Management is at risk. The

¹ IMP³rove – **IMP**roving **I**nnovation **M**anagement **P**erformance with sustainable **IMP**act

² European Commission, Innovation Union

³ Innovation Management in High-Growth SMEs from the Knowledge-intensive Services (KIS)- Setting the Pace for Growth in Europe; IMP³rove – 50 Success Stories, EuropeINNOVA paper 14; IMP³rove – Insights in Innovation Management, EuropeINNOVA Paper 10; IMP³rove – European Innovation Management Landscape, EuropeINNOVA paper 2

proof for that are the numerous publicly funded programmes that failed to improve the innovation performance of enterprises, regions or industry sectors.

With this response to the consultation for the Green Paper on a common strategic framework for EU research and innovation funding IMP³rove wants to contribute the experience and insights gained from providing very practical Innovation Management support to almost 3,000 enterprises in Europe and beyond.

May 2011

2. Developing Innovation Management Proficiency as pre-requisite for successful Research and Innovation Funding

The awareness of innovation as driver for growth and competitiveness has increased during the last years due to the efforts taken both in the public and private sector. However, there is still a very limited understanding what innovation is and how it can be managed for sustainable and profitable growth in Europe. This includes all stakeholders in the innovation “ecosystem”: policy makers, intermediaries (e.g. innovation agencies, chambers of commerce etc.) innovation support providers (consultancies, technology transfer centers), financial investors, enterprises, academic institutions and media.

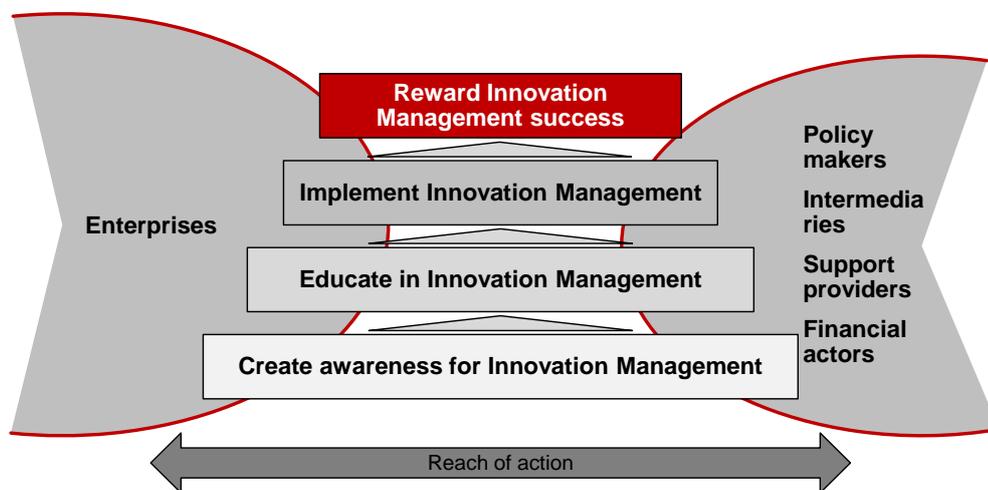
Even if there are excellent results from research and development, their adoption will remain suboptimal as long as there is limited proficiency in Innovation Management.⁴ Enterprises that have no or very limited understanding of their innovation strategy will not be able to successfully adopt new technologies or select the most suitable results from research and development for their future innovations. If there are no organisational structures in place driven by a strong innovation culture to integrate new ideas, technologies or systems, innovation success will be also limited. If there are no or the wrong key performance indicators in place for the innovation processes (from idea management to development, launch and continuous improvement) the impact from research remains very limited.

With the major changes in EU research and innovation funding especially the proficiency in Innovation Management should be further promoted.

⁴ See also “Revealed versus deterring barriers to innovation. Evidence from the 4th Community Innovation Survey”, DIUS Research Report 0909

2.1 Moving from Awareness to Proficiency in Innovation Management

Increasing the proficiency in Innovation Management at all stakeholders is mandatory to ensure the success of EU research and innovation funding. Enterprises that have an effective Innovation Management implemented can turn the research results into innovations that create more and better jobs, improve the lives of people and contribute to better societies.



Source: IMP³rove 2011

Figure 1: Increasing proficiency in Innovation Management

Especially in SMEs as the backbone of Europe's economies, there is still a lack in Innovation Management proficiency. Many companies still need to become aware of the impact that Innovation Management has on their overall competitiveness. Others need to develop the management skills for turning innovations into business success. Successful implementation of Innovation Management is more than just establishing an Innovation Manager. Especially for SMEs rewarding Innovation Management success mobilizes the organisations to achieve excellence.

2.2 Measures to Improve the Proficiency in Innovation Management

- Establish “Innovation Readiness Programmes” which support enterprises, mainly SMEs in the understanding and assessment of their Innovation Management performance, and help them to define and implement the appropriate measures for continuously improving their Innovation Management. The overall objective of the Innovation Readiness Programme is the proven ability of the enterprise to successfully turn research results into successful innovations (as demonstrated by increase in sales, profit and number of employees). Enterprises applying for research funding should provide a proof of their Innovation Management performance in form of a national or international benchmarking of all dimensions of Innovation Management.
- Establish ‘Innovation management awareness programmes amongst infrastructure providers such as financial players to encourage innovation potential assessments within their lending evaluations.
- Integrate in each publicly funded research project the requirement to provide a plan for successful commercialization of the research results by timely involvement of enterprises, venture capitalists, business angels etc.

3. Looking at value chains for effective research and innovation funding

Innovations are more and more driven within entire value chains. Members within the value chain, especially SMEs, need to understand who is currently driving innovation within their value chains, and how they can anticipate changes in demand for their products and services or drive innovation themselves within their value chain. For example, if sustainability becomes a differentiator and driver for innovation within the value chain, enterprises either can respond to sustainability or take it proactively as trigger for becoming the defining entity for innovation within their value chains. Sustainability driven supplier innovation is becoming more and more important for leading companies. They see the advantage in sustainability to differentiate against competitive value chains.

3.1 Understanding the Innovation Drivers within Value Chains

Many SMEs still lack the skills in strategic management. They don't know which trends and strategic moves of their partners within the value chain drive innovation. They don't know which players within the value-chain are the ones that define the innovation cycles and the types of innovation that will be marketed in the future. Often, the innovation driver is not the direct customer of the SME. However, they try to react to their direct customer requirements instead of anticipating their customers' needs by looking into the innovation dynamics along the entire value chain.

3.2 Measures to Include Entire Value Chains for Effective Research and Innovation Funding

- Stimulate involvement of all members of the value chain in the development of innovations. Funding of research projects should be based on the proof that different players within the value chain are included in the project. They should have already demonstrated their ability in successful (profitable) collaboration. This should ensure the uptake of research results and increase the value within the value chains
- Support the development of value chain management skills especially at SMEs. This should increase the standing of SMEs within their value chains as valuable partner for innovation. At the same time larger members of the value-chain should learn how to best create win-win opportunities in the collaboration with SMEs by developing a coherent and interoperable Innovation Management along the value chains.

4. Focus on sustainability

EU research and innovation funding can increase their impact when economic, ecologic and social sustainability are integrated in the respective programmes as key performance indicators. In many cases sustainability is a driver for innovation – not just a cost driver. Research organisations and enterprises still have not fully embraced sustainability as a powerful source for meeting the objectives of the Innovation Union.

4.1 Integrating the three dimensions of Sustainability in the Improved EU Research and Innovation Funding

Excellence in research and innovation needs to follow the principles of sustainability in all its aspects: economic, ecologic and social.

Research and innovation programmes – no matter whether they are demand or curiosity driven - should comply with these sustainability principles. Funding of research and innovation programmes should also require adherence to sustainability of the organisations applying for funding. Sustainability-driven Innovation Management Assessments are already in place and can be performed without major investment or effort.

4.2 Measures to Ensure Sustainability of EU Research and Innovation Funding

- Request proof of sustainability focus from the applying organisations in the proposal (e.g. Sustainability-driven Innovation Management Assessment)
- Define performance criteria to be met by the research and innovation results generated in the programmes to be funded.

5. Focus on Impact

One of the objectives of the Innovation Union is “radically reducing time-to-market”⁵. With that, the European Union aims at countering the challenges that come from the US and China. Shorter time-to-market is a first step to reduce R&D time. However, time-to-market will not provide the proof that the new technology, product, service, business model or design has the desired impact in terms of “more jobs, improved lives, better society”. Therefore, other criteria need to be defined that demonstrate the “time-to-return on investment”.

⁵ Background on Innovation in Europe. Information prepared for the European Council, 4 February 2011, p. 32

5.1 Moving from Time-to-Market to Time-to-Return on Investment

By improving the framework conditions, the performance criteria need to demonstrate that the innovations have created jobs, contributed to better lives and/or improved society. The uptake by the markets is essential. Here it is not the market created by public innovation procurement – this could be a first “stage gate”. The uptake by the private sector is essential.

5.2 Measures to Achieve Short Time-on-Return on Investment

- Define the most suitable criteria for the Research and Development funding programmes that are in line with the overall objectives of the Innovation Union and Strategy 2020. Best practice examples are available at enterprises who define their criteria for their innovation activities.
- Monitor and actively manage the alignment to the defined criteria on “Time on Return-on-Investment”.

6. Building on Existing Proven Results from Research and Innovation Programmes

Improvements in EU research and innovation funding can be achieved by building on results from existing public programmes. The “not invented here syndrome” as well as fiefdom-thinking should be sanctioned as anachronism in the age of internet, social communities and open innovation.

Many programmes from different DGs are designed to adopt results from other DGs. Here better interoperability of EU, national and regional policy making will contribute to more effective and efficient funding in research and innovation.

6.1 Measures to Better Leverage Existing Results

- Analyse the most successful programmes and projects in the area of research and innovation on their potential to add value to programmes of other DGs or to national, regional or local research or innovation programmes.
- Increase the interoperability within the various policy-making organisations in the EU
- Better align the existing programmes to the EU 2020 strategy to avoid redundancies
- Foster innovation platforms similar to the platform design in the manufacturing industries as a successful concept that increases effectiveness and efficiency in spending (tax) money on research and innovation programmes.
- Evaluate the proposals for EU research and innovation programmes for uniqueness and integration of existing excellent approaches or tools.

7. Leveraging IMP³rove as a Powerful Innovation Platform

With IMP³rove the European Union disposes of a sophisticated platform for Innovation Management (www.improve-innovation.eu). It offers a comprehensive suite of support services that have already been adopted in almost all EU member states. These services include support of enterprises (mainly SMEs) in improving their Innovation Management capabilities and performance, benchmarking and auditing in (sustainability-driven) Innovation Management, capability development in Innovation Management and Innovation Management consulting at enterprises and innovation support providers, development of a European network of Innovation Management professionals, establishing IMP³rove-powered innovation eco-systems, providing policy recommendations and developing innovation and competitiveness programmes on national level.

IMP³rove addresses both non-technological and technological innovations. It also includes eco-innovation as a pre-requisite for sustainable Innovation Management. Thus with

IMP³rove, the European Commission disposes of comprehensive experience in mobilizing stakeholders (SME managers, innovation support providers, innovation and development agencies, financial actors, policy makers, academia) across Europe and integrating them in a common framework.

7.1 Building on the Success of IMP³rove

IMP³rove has managed to establish a common European approach and “language” for Innovation Management. IMP³rove closely links Innovation Management activities with business performance. It also is contributing to increasing transparency in Innovation Management proficiency both at enterprise level as well as in the innovation consulting market. Almost 500 professionals across Europe have been trained in the IMP³rove approach and applied this approach at SMEs from various industries and countries. With the online platform and e-infrastructures used to develop the IMP³rove networks, the European Union has the infrastructure in place to build on.

7.2 Measures to Leverage IMP³rove as Effective Innovation Platform

- Integrate the IMP³rove platform (i.e. a truly European network of innovation professionals, access to enterprises across Europe, holistic approach to Innovation Management and Innovation Management Assessments and Audits, IMP³rove European Innovation Management benchmarking database) into EU innovation programmes.
- Support member states in establishing their national and regional IMP³rove-powered eco-systems to increase innovation and competitiveness.
- Assess the potential beneficiaries of research and innovation results on their Innovation Management performance and capabilities to select the partners that have the skills for successfully commercializing the research and innovation output.
- Establish the IMP³rove validated benchmarking report as the default standard for proof of Innovation Management / commercialization capability for applications for funding.

8. Designing the European Innovation Management Academy

Within IMP³rove the concept of a European Innovation Management Academy has been developed. This Academy not only can serve as the organization that provides effective approaches to developing Innovation Management capabilities in Europe. It can also serve as the European test bed and think tank for all innovation related matters and contact point for European as well as non-European organizations that are leveraging innovation as a key to current challenges. This can reach from strategic thinking on the development of the European Innovation Strategy to the very operational support services on Innovation Management, building the link between Europe and partners from outside Europe.

9. Conclusions and Outlook

IMP³rove is ready to contribute its assets, experience and results generated during the last 5 years in successfully developing and implementing a truly European Approach to Innovation Management to the creation of the Innovation Union. The aim is better Innovation and Research funding by leveraging the proven results and contributing to the testing and uptake of results from effective Research and Development funding. This will also enhance the interoperability between the European Union and the member states. It will also promote and facilitate the dissemination of best practices.

10. Contributors and Supporters

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To leverage IMP³rove:

- To proceed all organisations who will benefit new innovations to assess their purchase activities and develop them in a systematic way. Organisations ability to set challeng-ing in-

novative targets to their suppliers is in many cases low. IMP³rove platform is an excellent tool for assessment and development.

- To proceed investors and finance bodies to implement a systematic analysis of customer`s innovation competence as a criteria to start a finance decision process.
- A consulting process is an essential part of IMP³rove platform. The process with a consultant`s workshop still needs minor development steps in order to deliver assessment results in a maximal way to meet the customer waiting.

Ing. Kurt Ludikovsky, CMC
biz-improver ludikovsky
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- Financing business - either by financial actors or the public - has in the past always been based on past financial performance, with the expectation that this performance will also continue in the future. With IMP³rove the innovation capability of the enterprise can be better assessed therefore reducing the risk for the financial institutions and the public.
- Practical experiences during the application of IMP³rove have shown that European companies tend to overestimate their innovation capability. Comparison - especially at SME-level - are mainly performed on a country basis, which leads to the impression that innovation capability is good while lacking real international benchmarks. IMP³rove allows now SMEs to compare themselves on an international basis.
- Managing innovation - making new ideas a market success - need to become a process as is with ensuring the quality and billing the customer.

Dr. Ralph Jürgen Peters
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- Leverage all measures for increasing the innovation performance in Europe including but not limited to funding as well as policy making
- Improve interoperability in co-funding projects by the EU, member states etc.

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I strongly support the idea of companies testing their innovation capabilities prior to or along with applying for public R&D (innovation) funds. IMP³rove could certainly be a good test instrument and could well be linked to the application process. The following issues should be considered:

1. Innovation testing via IMP³rove should be made as easy as possible to avoid the impression that bureaucracy levels again are raised instead of lowered. The current R&D funding application process is already perceived as very bureaucratic and cumbersome, preventing many SMEs from even trying.
2. Innovation testing via IMP³rove should be presented as a voluntary option or assistance (in the sense of later improving innovation resp. market success) rather than as a mandatory step in the application process:
 - a. Again, many SMEs strongly object against bureaucracy, which would raise hurdles even higher in the case of an EU-based innovation audit (=> avoid the “EU bureaucracy” stigma!).

- b. Companies that do not strictly adhere to the IMP³rove “best practice” criteria might still be successful innovators! In other words: if an applicant SME fails in the IMP³rove test (i.e. does not achieve high score levels in all dimensions), it should be very clear whether this is reason enough to decline its application resp. what happens instead.
- c. There are many competitive innovation audits on the market, including those from chambers of commerce and scientific institutions. Implementing IMP³rove as a mandatory tool might trigger resistance in these potential cooperation partners (=> “EU cannot be better than local heroes”, “EU is too slow to obey to the latest rules of innovation science”, etc.)
3. Innovation testing via IMP³rove should constitute a (voluntary) element of all public R&D fund application processes, be it EU, national or regional (Bundesland) programs. In Germany, this should include programs such as ZIM, go-inno or ERP.

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