Bringing Innovation to the Market

RAPIDE – LESSONS LEARNT

MID-TERM

LESSONS LEARNT

SUMMARY

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Development

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In the first phase of the RAPIDE network has brought together innovation experts, regional strategic leaders and experienced practitioners from across the partner regions. The aim was to exchange their knowledge and views at three working summits focussing on the main topics identified by the network as crucial for bringing innovation to the market more quickly:

1. **Effective Partnerships (Working Summit in Cardiff, Wales – December 08)**
2. **Financing Innovation (Working Summit in Patras, Western Greece – February 09)**
3. **Managing Risk (Working Summit in Bath, South West of England – April 09)**

The following document summarises the lessons learnt at and in-between these summits

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Lessons learnt by the RAPIDE partners within the first phase of the RAPIDE project

Partnership – strong partnership based on trust and leadership:
• Partnerships only work if they're built on trust and commitment from all partners.
• Partnership also relies on the choice and balance of partners.
• All <u>successful</u> partnerships are based on effective leadership and enthusiasm of individuals: a successful project needs a strong project owner/central hub - the glue that holds partners together – that can make clear decisions, work with funding bodies to make things happen, and is enthusiastic and genuinely interested in the content.
• It is crucial for a sustainable partnership to find ways to survive when the funding runs out.
• Public servants at the relevant level working on Research, Development and Innovation issues need international communication skills. This includes language skills and the command of specific vocabulary relevant to the topic, but also skills in generating productive debate, giving precise presentation and dealing with people from various cultural and social backgrounds.

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Financing innovation – promoting rapidity and sustainability
• Investment into entrepreneurial culture is as crucial as direct investment into projects: this includes better education and information on innovation possibilities and benefits.
• Flexibility for outputs/outcomes is needed – the cause of innovation is not always clear and not all benefits are measurable in numbers.
• The slow speed of financing is problematic for innovation – the acceleration of innovation funding has been identified as one of the main roles of public bodies.
• Seed money is needed and the public sector is often not able to provide this, there is a need to enable pre-financing mechanisms within the regional funding schemes.
• Time scales of innovation – they are often very long, and public bodies need to be prepared to wait more than 7 years before a project returns profit.
• Innovation support structure – the innovation voucher system works well only when there are no additional conditions connected to the voucher (e.g.: for the types of services)
• Scarce public support should sharpen the decision process of venture capitalists: All too often, SME public support is distributed to all comers regardless of merit or probability of success. The reality is that encouraging and supporting unviable young businesses has important economic, social and personal costs. Research shows that it is much more efficient that scarce public support is directed to the following companies and entrepreneurs: o Existing growth companies; o Educated entrepreneurs; o Experienced entrepreneurs; o Entrepreneurial teams; and, o New, growth oriented and knowledge based industries.
• Public support should not go to uncompetitive firms but encourage learning and second start ups It is a fact that companies founded by re-starters have higher turnover and

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employment growth than companies run by entrepreneurs who have never failed.
• Business Angel Networks and Venture Capitalists are crucial for the development of growing innovative start-ups. There are different ways for the public authorities to support the creation of such financing tools. Possible regional or national measures are: • Proof of Concept Funds- support early market validation and IP protection • Co-Investment Funds- stimulate angel syndication - pooling of resources and skills and promote investment alongside VCs- leverage angel and early stage investment • Tax benefits for investments in SMEs
• Some EU regulations hinder the public funding of innovative projects. The RAPIDE network welcomes the Council Regulation (EC) No 1341/2008 of 18 December 2008 amending the Regulation (EC) No 1083/2006 Article 55 on Revenue-generating projects. Whilst Article 55 does not apply now for operations of less than € 1 million the RAPIDE network still believes that the Article 55 especially in its paragraphs 1 to 4 are a major obstacle for regions to successfully support businesses bringing their innovation to the market.
• To get excellent research to the European regions the regions stand in a global competition. Therefore the RAPIDE network recognises the bureaucracy connected to FP7 projects as one of the major obstacles to succeed. Most of the big research projects are international and if the research money is easier to get somewhere else the high level researchers will be more inclined to leave Europe than they do today.

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Managing Risks – being prepared for failure
• Innovation comes invariably with risks: the main issues for the public sector are to be ready to take risks and to manage these risks.
• Funding bodies need to accept that things will go wrong. Risk is implicit in innovation and EU programmes/ other funding sources have to accept that there will be some failures.
• Risks can be successfully managed through various tools before and throughout the funding process: - Assessments of funding applications have to be more transparent than it is often the case. The client has to know the procedure and should be informed about the progress at each stage. This would reduce the risk for the applicant. - Public sector interventions (including EU funds) need to ensure that companies involved in innovation activities have a range of skills to hand. This includes project management, financial management and the skills to secure funding. Innovators and entrepreneurs also need to develop these skills within their own companies - In terms of managing risks, the balance between administrative and bureaucratic requirements and the ability to find simple ways of funding innovation is now off. Innovators are put off by the hurdles that they need to jump before any funding can be given. For example, many EU funding bodies will not accept a form of certification saying that a company is financially sound and has, for instance, received loans from banks in the past. This simple certification would avoid lengthy checking processes on companies that have already gone through similar procedures in the past. It would be helpful to have common assessment tools of the likely risk associated with individual companies.
• Public sector plays an enormously important role in innovation encouragement through mechanism of public procurement, business support and directions of regional policy. Regional and national policy has to recognise its strong influence on innovative activities through ways of innovative procurement. If regional and national authorities as major customers demand innovative solutions then the supply market will adapt accordingly. This can catalyse business innovation activities

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