



## **Meet and Exchange Workshop: Best practice for National Contact Points – European Innovation Council**

**Date: December 05, 2017**

**Organiser: NCP Academy – Enterprise Ireland**

### **EXPERIENCE REPORT**

#### **THE CONTEXT**

Since Commissioner Moedas first expressed his idea for a European Innovation Council (EIC) in June 2015, the concept has slowly been taking shape. The scope of the EIC preparatory phase, which will be covered in the Work Programme 2018-2020, now includes four existing Horizon 2020 instruments selected for their complementarity and potential to support breakthrough, market-creating innovation:

- SME Instrument, which supports individual SME with an innovative project, phased approach;
- Future and Emerging Technologies (FET)-Open, which addresses early-stage technology-based projects through a bottom-up scheme;
- Fast Track to Innovation (FTI), which addresses industry-led consortia with close to market solutions;
- Prizes, both recognition and inducement prizes which will promote breakthrough innovation in areas where an ambitious goal with high potential impact can be defined.

**The response of the NCPs to this preparatory phase will form an important part of the success of the initiative and will pave the way for how NCPs will work in future Framework Programmes.**

CONCEPT & AIM: This workshop looked at how NCPs are responding to the emergence of the EIC preparatory phase and considered longer term approaches to it. The workshop included context setting by Bernd Reichert, Head of Unit, European Agency for SMEs, European Commission; Evelyn Smith, IGLO Member Brussels, Enterprise Ireland as a representative of one of the national agencies in the Innovation Agencies Group on EIC; and Grainne Dwyer, Member of the Commissioner's High Level Group of Innovators.

TARGET AUDIENCE: NCP Coordinators and NCPs already responding specifically to the emergence of the European Innovation Council, particularly those with examples of new approaches that they wanted to share/discuss further.

## SETTING THE SCENE:

See [presentations](#) for further details.

**European Agency perspective: Dr Bernd Reichert, Head of Unit, European Agency for SMEs**

### FET Open:

FET Open will not change. It is a programme for academics and will be run by the research agency. However there are a small number of **SMEs in FET Open projects** and they **will be provided with coaching and business services (using the process for the SME Instrument)**. A service package will be developed to accelerate them into the real world faster.

The **FET Open team will identify the SMEs**. It will cover companies in FET Open **from 2014** [there are currently 60 companies]. An analysis of their needs will be completed on a company by company basis. It is unclear who will cover the costs so far. It is acknowledged that SMEs in FET Open may play minor roles as suppliers rather than driving the technology further.

### Fast Track to Innovation:

There will be no substantial change. EASME has a dedicated team and would like to **target the SMEs in current projects** more for co-creation. The companies can access **coaching and business services** although this is not mandatory. There has not been a substantial promotion of the scheme yet. It remains to be developed with a focus on the company rather than the project.

Note that the template for Fast Track to Innovation is under development and is not available yet.

### SME Instrument:

Phase 1: EASME has put in place a dedicated Phase 1 team. There is a **slight difference in constituency between Phase 1 and Phase 2 companies**. The Phase 1 companies are younger in development and might use Phase 1 to develop their business model and customer base. Funding of €2M would be too much for these companies. EASME would like to develop **a service package for Phase 1 companies to develop the business plan with no reporting** required.

**Phase 1 and Phase 2 will be decoupled more and more.**

Phase 2: this is where significant changes are underway. The new aspects include:

- A **bottom-up** programme: it is anticipated that this will **attract companies in new areas such as education technology and fintech**. It will be monitored carefully to see if the bottom-up approach works.
- Applicant interviews: **applicants with proposals which are above threshold will be called to interview**. Note the expected schedule of **7-10 days from documentation to interview** and first invitations to interviews are expected at the end of January 2018. There will be approximately 6 juries with a minimum of 5 experts each and the jury member names will be published for transparency. The selection of experts will be based on keywords. The panel breakdown is primarily to separate short innovation cycles from longer ones.

### Blended financing:

EASME aims to **develop this over the next 3 years with a €30M budget**. There is no blueprint so it is an opportunity to experiment, to **build private investment around the SME Instrument company portfolio** to encourage scale up. EASME can trial e.g. equity one year or loans in another but note that the funds are small so that EASME will play a key role in networking to private investors, to the European Investment Bank etc.

### Communications:

**'If the NCPs are the sales department what we need to do is align our product description'. Bernd Reichert, EASME**

Key communications for NCPs:

- 1. The funding is non-dilutive. It is equity free. Companies do not have to pay it back. This means that EASME can take risks that nobody else takes e.g. venture capital funds.**
- 2. Funding is combined with business coaching and business acceleration services. Companies can benefit from acceleration services even when the project term is over.** It is not necessary for this to be done at European level (substantial services are offered nationally and regionally). However, it can sustain the European element.
- 3. Private equity investment in the SME Instrument companies is growing, there has been a number of exits and these companies account for 10% of tech IPOs in Europe in 2017 i.e. the evidence is showing that EASME is attracting companies with the potential to grow.**

### **Member State perspective – Evelyn Smith, Enterprise Ireland, Representative of the IGLO Innovation Agencies Group**

Enterprise Ireland (EI) is an example of a national innovation agency offering an extensive suite of supports to a large portfolio of companies, with a focus on Ireland based companies that plan to grow through international sales. EI is a member of the Informal Group of Liaison Officers (based in Brussels) working group which is interacting with Commissioner Moedas on the EIC. **The aim of the group is to collaborate with the Commissioner and the Commission to co-design the EIC, to share expertise and knowledge in an effort to avoid duplication with national activities and to add EU value.** The innovation agencies initiated this group to fill a perceived gap in consultation, particularly noting that the programme committees were not an adequate route for this activity.

### Innovation Agencies Group:

The group has grown from 6 innovation agencies to 13-15 agencies/countries. On a practical level, it was asked to convene a workshop in October 2017 which brought expertise from the agencies to discuss deployment of the EIC. It focussed on areas such as evaluating proposals (e.g. innovation agencies such as Enterprise Ireland would not invest in a company without reviewing its management capabilities), and non-grant supports for SME and Mid-caps, prior to the launch of the 2018 pilot. The engagement is continuing with **a focus on co-design for FP9.**

## Enterprise Ireland:

As a national enterprise development agency, Enterprise Ireland has progressed from initially questioning of the European added value of the SME Instrument to embracing its fit within the national funding landscape. Current considerations would include:

- The ongoing **overlap of Phase 1 with national funding schemes;**
- The **unique non-dilutive offer of Phase 2 to high growth companies with disruptive technologies, filling a gap in national schemes;**
- The **absolute requirement to target only those companies 'ripe' for Phase 2** i.e. a small subset of high growth companies in Ireland. **This requires a close working relationship between the NCP and the company development advisors within the agency who have the knowledge of the company's stage of development and plans for next steps.**

Other aspects of the EIC pilot are being reviewed carefully in a similar context i.e. EU added value, internationalisation and the scale-up agenda.

Key requirement for NCPs:

**1. The NCP requires a close working relationship with the company development advisors within the national innovation agency (or other sources of knowledge of company development) to ensure the targeting of those companies 'ripe' for the SME Instrument.**

## **Advisory perspective – Gráinne Dwyer, Member of High Level Group of Innovators for a European Innovation Council**

The 15 member High Level Group of Innovators is representative of entrepreneurs, early stage start up environments and established large scale organisations. It is focusing on individual innovators under the headings of: 1) Bring all relevant EU innovation financing into a single fit for purpose EIC; 2) Empowering the Innovator; 3) Focus on excellence even if high risk; 4) Amplify, don't duplicate existing innovation ecosystems and 5) Connect breakthrough innovators to public policy and regulations. It **describes a successful EIC as 'a visible and recognised brand for the whole innovation community and the wider public, highlighting strong role models and developing an inspirational narrative'.**

Subgroups are considering aspects such as visualisation (the websites, how to get the stories out there, the application forms and new technologies to administer them) and how to really judge disruptive innovation. The aim is to open up to more companies, with more efficient and quicker processes.

The High Level Group brings a fresh perspective to the EIC, one that the NCPs and the innovation agencies could use to inform their approaches to communication.

An action for NCPs:

**For NCPs in countries with representatives on the High Level Group of Innovators, it would be beneficial to interact with the members to inform them of the experiences of companies (and NCPs) and developments already underway within the Horizon 2020 programme.**

### **CURRENT NCP ACTIVITIES, WITH A FOCUS ON ANY CHANGES EMERGING, AND PLANS FOR NEW WAYS OF WORKING WITH EIC OPPORTUNITIES**

The role of the NCP for SMEs and other NCPs:

The NCPs for SMEs typically cover the SME Instrument and Fast Track to Innovation. They do not know how - and do not have the resources - to include FET Open and the Prizes.

In some countries the EIC is spread across a number of NCPs.

In some instances the NCP is based in the national innovation agency so that they have access to the knowledge base e.g. the stage of development and potential for growth of the companies. In others the NCP collaborates with the national or regional organisations responsible for enterprise development to target suitable companies. Some NCPs have no access to such information.

In some countries the NCPs are interacting more closely with the Enterprise Europe Network.

The company target:

The NCP is targeting a different group of companies now e.g. start-up with growth potential, and only the best companies, knowing that many other companies are not appropriate.

The EIC pilot requires an understanding of the company needs and longer term engagement. It is an accelerator service to enable scale up rather than project funding.

In some countries the SME Instrument Phase 1 overlaps with the national funding offer.

The issue can be how to dissuade companies that are not appropriate.

Companies are being filtered from initiatives at regional and national level e.g. based on first market validation, first round of investment and accelerator interactions.

Target companies are identified from those that are two years after completion of national funding. Many of them are not aware of Horizon 2020 opportunities.

The time line for the FET Open companies is very different to that for the SME Instrument.

The European Research Council Proof of Concept was suggested as a source of SMEs for EIC but it was noted that these are typically academic activities rather than developed company activities.

Sweden has a national funding instrument "SME instrument Phase 1 runner up", where SMEs below funding but above threshold are invited to apply. There is no specific support for Phase 2.

Companies are advised to redesign the proposal, if possible, and apply to Eurostars (in competition with all applicants).

The Eurostars programme may fill the gap between Phase 1 and Phase 2 of the SME Instrument.

#### Intermediaries:

Some NCPs are planning specific interactions with the Accelerators to target companies. Others have not done this.

Experience with Accelerators e.g. those in the universities has been mixed.

NCPs are presenting to seed fund managers. A strong development has been the presentation by some seed fund managers of the leads from their portfolios to the NCP.

#### Communications:

The marketing and communication of the EIC name is difficult. It should be called an Accelerator programme and marketed accordingly.

EASME has developed the content and potential for impact of the EIC but needs to focus on the value proposition, positioning and marketing now.

The SME Instrument 'brand' is already known.

One country described its mass publicity approach to making the SME Instrument and Fast Track to Innovation as well known as national programmes.

There is no evidence of any Member State starting to brand the EIC. It is too early to do so.

#### Changes emerging:

The NCPs are commencing with information seminars on EIC with a focus on emerging changes.

A pitch deck was described/ provided to SMEs for completion as applicability outline of the project.

Interview preparation for the SME Instrument is the primary focus for NCPs for SMEs, given that the timeline from results to interview will be short. One NCP described how 5 pitching sessions i.e. pre-interviews have been completed and companies have been very keen to participate.

The NCPs for SMEs are increasingly promoting Phase 3.

One country will introduce a shared role for NCP for SMEs/ Programme Manager for Eurostars.

Today's EASME presentation suggests the need to review current FET Open projects for target SMEs. All companies in the FET Launch Pad could be reviewed to identify Phase 1 candidates.

Cooperation between the NCP for SMEs and the NCP for FET Open has commenced.

One country is nominating an individual to address the promotion of the Prizes.

The future focus will be more on the entrepreneur. It is necessary to learn about this.

## **ISSUES AND CHALLENGES ARISING**

### SME Instrument:

The low success rate in the SME Instrument may be even lower in the EIC pilot due to the new bottom up approach.

An excellent project does not equal an excellent pitch. Pitching to investors is different to pitching to buyers. How should the NCP prepare the SME for interview?

Can EASME only allow senior management team at interview stage and request proof (CV/bio) that they are not recently employed (to exclude consultants)?

The interviews are a challenge. They require investment to travel. The short 7 day preparation will be difficult.

There is a need for clarity on the interview process: the interview content; the panel membership (potential investors?); for technology which has already been approved (by remote evaluators) how will this be reinforced by the interviews? Will the panel members have some knowledge of the technological aspects?

How should the NCP react if the Above Threshold project fails the interview?

How could Phase 2 Seal of Excellence companies be handled better?

### NCP roles:

The NCP role for Access to Risk Finance is not sufficiently influential in its current format. A combined skill set of the NCP for Innovation in SME with Access to Risk Finance would be better, especially if blended finance comes into FP9.

### Horizon 2020:

If the Horizon 2020 Work Programme is considered one work programme, why are the FET calls repeated in different documents?

The Prizes are "hidden" (omitted or only briefly described) in the documents. Applicants would be better served if e.g. the prize for batteries was evident in the work programmes for Transport and NMPB rather than the EIC pilot list of horizontal instruments.

All open calls could be included in every thematic area. That way, the message that ALL of the programme is open to new FET and innovation would reach all actors in all areas.

Why are all prizes not listed in the EIC pilot? Are there differences?

Could FET Open in EIC be renamed as FET Open participant (SME?) support?

In the future we will see a big gap in policy feedback if the innovative parts of the programme (SME Instrument, Fast Track to Innovation) and the foundational technologies (FET Open), and new actors these involve, are handled in silos away from the thematic programmes. Instruments should not be grown into self-contained programmes.

Spreading the broad message while focusing on the targeted clients is a challenge. This is a disconnect with the branding i.e. the EIC as an administrative umbrella. Applicants must see the opportunity as an accelerator.

More instruments in your briefcase equals more work.

FP9:

How will the SME Instrument Phase 1 be funded? If it is funded by national agencies how will it fit with state aid rules and how will it be aligned with European Commission offers?

## **RECOMMENDATIONS**

The recommendations are divided into three categories – recommendations for NCPs, for national Horizon 2020 support teams/innovation agencies and for the European Commission/EASME.

### Recommendations for NCPs:

Interact with the enterprise development/innovation agencies (or other relevant agencies) to target the companies ripe for EIC and to reduce the number of other companies applying (those that are not at an adequate stage of development or technology is not disruptive).

Interact with relevant intermediaries e.g. seed funders and accelerators to target companies ripe for EIC.

Complete a full analysis of the upcoming SME Instrument interview comments and identify common threads.

Redirect companies that do not pass the interview stage to other opportunities.

Review the SMEs that are currently participating in FET Open projects for potential Key Account Management services.

NCPs for SMEs to review Fast Track to Innovation companies/projects with thematic NCPs and develop best practice for feedback.

Communicate successes:

- Prepare a booklet of testimonials or success stories;
- Create a community of EIC companies in your country;
- Complete a 'where are they now' and keep it up to date;
- Use a high profile business development special guest to engage potential applicants;
- Develop 30 second videos [a common communication tool used by start-ups and venture capital communities].

Use this report to develop an EIC webinar and use it for a quarterly update.



For NCP Academy and ACCESS4SME networks:

Encourage the countries with lower success rates to participate in best practice workshops [repeat today's workshop in 6-12 months].

Develop tools to help NCPs to achieve best practice.

Develop an NCP Academy training module: EIC webinar.

Develop SME Instrument and fast Track to Innovation training: transition from old to new templates; interview preparation and slide deck company acceleration.

#### Recommendations for national Horizon 2020 support teams/innovation agencies:

Build up the NCP network and sustain it to ensure that NCPs work on programmes for a substantial time. Large changeovers on a continuous basis are not adequate for enterprise development activities.

Review NCP resources, especially considering that the NCPs for SMEs have multiple call cut-offs so that it is difficult to envisage their focus on FET Open and Prizes.

Determine which NCPs should look after SMEs in FET Open and develop the offer for this type of company (which may typically be at TRL 1-3).

Consider allocation of a specific individual to all Prizes, with a focus on business development rather than 'just another thematic topic'. Recommend that 'NCP' for prizes interacts with relevant thematic NCP. Recommend to European Commission that they should change how the prizes are presented in the work programmes.

Strengthen the skill set, with a particular focus on what is needed now (Horizon 2020) and what will be needed in the future.

Maintain and grow skill set in Enterprise Europe Network.

#### Recommendations for the European Commission/EASME:

Improve communication to the Programme Committee for Innovation in SMEs.

EASME to attend Programme Committee for Innovation in SMEs or Strategic Programme Committee with sufficient time to give programme updates for the SME Instrument and Fast Track to innovation.

Do not dissociate the EIC from other relevant actors.

Co-design the programmes and pillars with the relevant national agencies.

Use the EIC to facilitate strong engagement between SMEs and large companies.

Use the EIC to forge stronger links between Innovation Actions and Access to Risk Finance.

Include the Associated Countries in notifications of Specific Actions.

Provide adequate financial support for the NCP networks to provide an equal opportunity for all NCPs.

Provide a clear view of FET positioning for the future. NCPs are aware that FET may not be a part of FP9 and need to plan accordingly.

Clarify expectations in terms of timelines from FET Open (to market in longer term) to the SME Instrument (project output should be commercially used).

Shorten the call deadlines for the Prizes. Applicants are not emerging because they need to apply for shorter term funding opportunities.

Ensure involvement of agencies like EASME in the discussion and recommendations for FP9.

#### Recommendations for the High Level Group of Innovators:

The identification of the right companies for the EIC offer is key i.e. those that are 'ripe' for it. Targeted communication is crucial to this.

Propose new and innovative tools for communication.

Comment on the fit of EIC with the Research Participant Portal.

Review the communication efforts of the Enterprise Europe network e.g. the national media campaigns. Could you propose similar for the EIC?

Address the issue of branding of EIC, on top of current instruments that Member States have worked hard to position and brand and have already achieved a level of recognition.

*This report will be circulated to the National Contact Points in all Member States and Associated Countries and it will be provided to relevant EASME and European Commission officials, the members of the of the IGLO Innovation Agencies Group and the High Level Group of Innovators for a European Innovation Council.*