



Open Innovation and SMEs – A Policy Perspective.

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Open innovation: An SME Policy Perspective

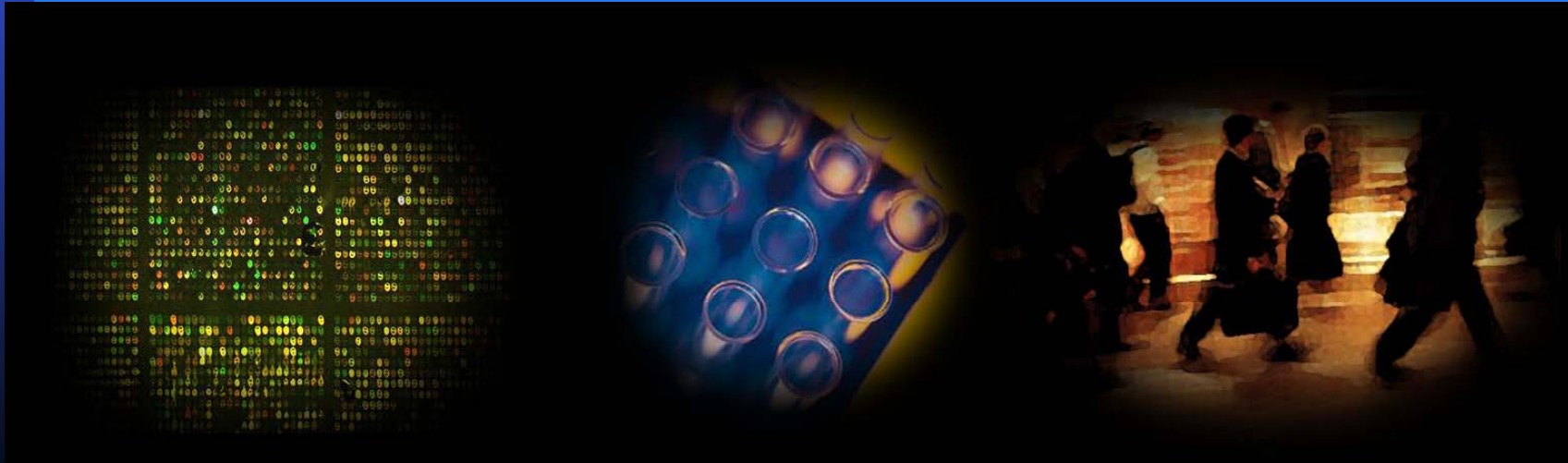
- OI - ‘Not all of the smartest people work for us’ – firms must systematically open up to external sources of R&D&I
- **Academic** debate – OI is “old wine in new bottles” (i.e. cyclical, iterative, networked models already exist)
- **Corporate** Perspective – OI dominated by large firm success stories eg. P&G ‘Connect & Develop’
- But, lack of SME OI case studies or best practices to manage risk of ‘openness’

Policy perspective of OI:

- *How can policy utilise characteristics of OI to benefit SMEs?*



Traditional Linear (Closed) Model



basic research → tech transfer → jobs & growth

- Policy emphasis on inputs & outputs
- Accepted wisdom of Resource-based view of firm & large internal R&D capabilities



Problems of linear (closed) model

- However, a dearth of innovative SMEs in the UK and Europe
- 1970s Bolton Report commissioned in UK
- Resultant wave of **support programmes rooted in traditional linear model.**
- European innovation surveys still report a dearth of innovative SMEs, low levels of collaboration with stakeholders: SME-SME etc
- And fundamental ‘European Paradox’ – excellent research is not exploited.



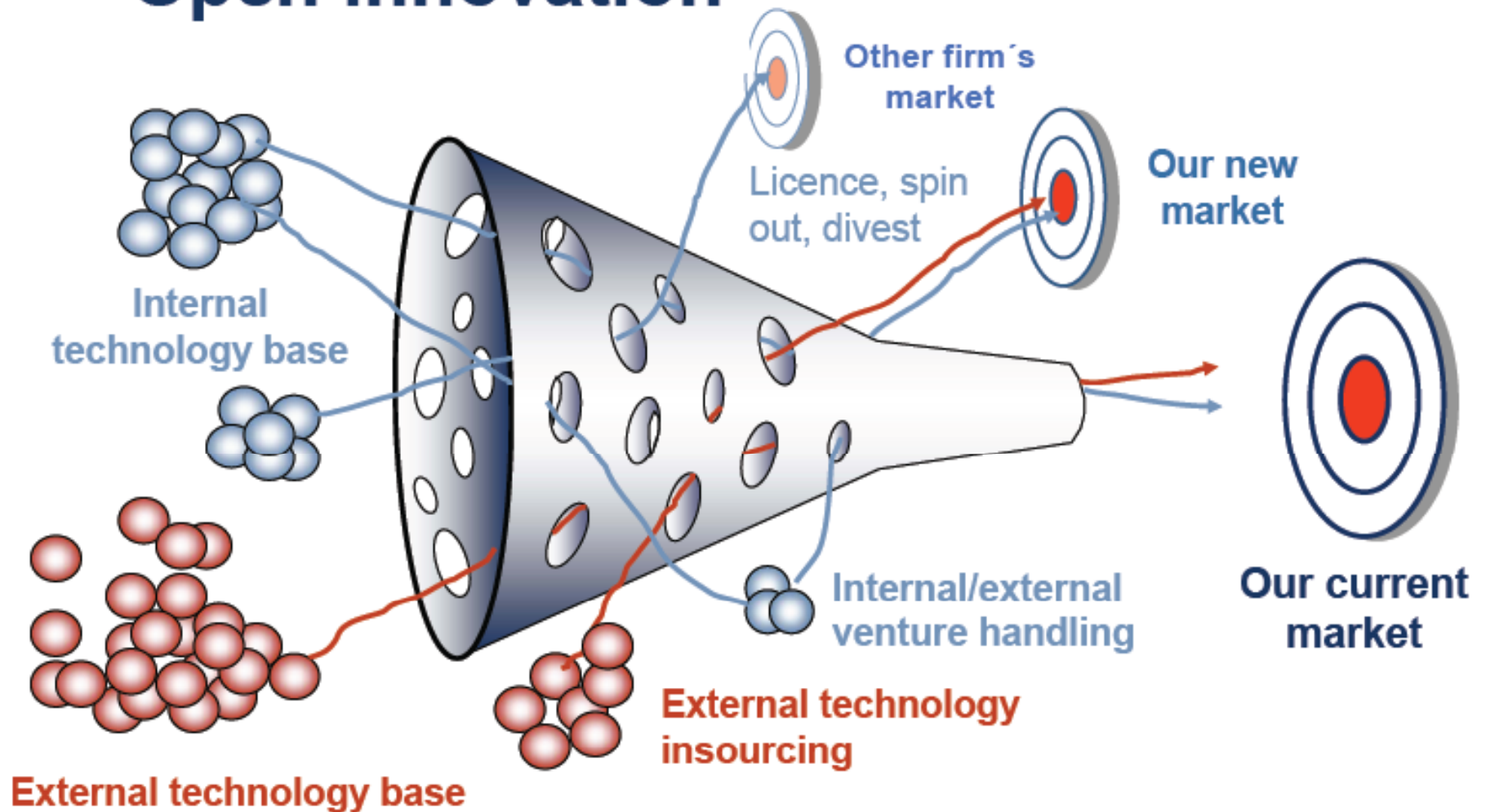
Organisational Problem of Linear Model & Large internal R&D

Alignment vs. Management Organizational Attributes

STARTUP		←————→	MATURE	
ALIGNMENT OF INTERESTS	CONSEQUENCES			MANAGEMENT PRACTICE
	Life or Death		Bonus or Promotion	
	COMMITMENT			
	Total & Personal		Professional	
CULTURE				
Intense, Unified, Personal, Team		Routine, Branded & Less Personal		
COORDINATION				
Informal & Intuitive		Programmed, Managed & Measured		



Open innovation



Recognises complexity, external sources of R&D&I, myriad of routes to market

FP7 Project: MAPEER SME (Making Progress & Economic Enhancement a Reality for SMEs)

- 15 partners covering EU27 & Bosnia & Herzegovina
- How to pave the way for SME-friendly R+D+I programmes?
- To identify, map and analyze all those programmes and initiatives that assist the collaboration between science and SMEs
- **Inputs:** 185 R&D programmes, @1000 SMEs surveyed, 30+ round table meetings, 4 x EEP meetings



MAPEER EEP Recommendations

- OI policies can recognise process of R&D&I not just linear – ‘inputs & outputs’
- Policy can help integrate & protect the tailored involvement of SMEs in R&D&I projects
- The language of OI is simple user/policy-friendly, not encumbered with complex theoretical thought.

10 Open innovation – orientated policy recommendations voiced by SMEs



Recommendation 1

- Recommendation 1. **Improve SME-University cooperation.**
- **Spin in university expertise** in the form of students and professors into SME research teams
- ***OI = Policy can help ‘appropriate’ university expertise inside SME innovation projects**



Recommendation 2

- **Adapt Research Programmes to the context of the SMEs.**
- More Calls should be orientated towards “**excellence and exploitability of results-benefits for the community**”, as many SMEs work in near market research
- ***OI = Spin-in SMEs to projects in the open innovation funnel.**



Recommendation 3

- **Mandate a minimum participation of SMEs in large initiatives, like European Technology Platforms (ETP), Joint Technology Initiatives (JTI) or Private-Public-Partnerships (PPP).**
- **Inspect running projects and if a minimum share of SME participation is not reached - stipulate open calls to add SMEs in the projects.**
- ***OI = Insert SMEs into large programmes that are traditionally the domain of large firms**



Recommendation 4

- **Close the gap between the research activity and the potential exploitation of its results.**
- Assist the consortia to approach their potential customers. Programme Managers should organise users/buyers of technology throughout the life of the project and after its completion as a concrete component of the programme.
- ***OI = Built in emphasis on supporting exploitation**



Recommendation 5

- Allow the ideas and the projects to flow to research and technology development.
- Creation of large consortia at the early stages of research is not necessary. **“Think Small First”** principle should be applied during the evaluation process of any research proposal.
- * **OI = Change the current concept of “powerful research” to “powerful exploitation”.**



Recommendation 6

- Promote **Case Studies on successful SME participation** in research programmes.
1. **Organize dissemination events especially oriented to report to SMEs** on benefits from participating in the R&D&i programmes
 2. Enhance visibility and **link successful national SMEs to European programmes and events.**
- *‘**Appropriate**’ **successful national SMEs to inactive R&D SMEs and European programmes**



Recommendation 7

- Implement good practices based on **Open Innovation**, facilitating the adoption of open innovation practices to foster better inter-firm collaboration (ie. SME-SME and SME-Large firms to create new business models).
 - Accept, encourage and facilitate **outsourcing of research (even during the project lifecycle)**.
- * **Additional research required to understand more OI good practices that are relevant to SMEs.**



Recommendation 8

- The **evaluation and Reviewing** process of R&D applications and project reviews **should include an SME component.**
- Input from SMEs in the evaluation process is favoured, rather than by scientists from Universities (with the temptation of too much theoretical approach of a project).
- * **Provide incentives to attract busy SMEs to engage in evaluation process.**



Recommendation 9

- Compliment grants with R&D loans.
- SMEs may benefit from having access to 100% of the overall cost of their investment in the R&D projects (for example: 75% may be direct grants and 25% loans on advantage conditions).
- * Particularly in the case of larger programmes, **medium sized companies are reluctant to use own cash flow to co-fund project.**



Recommendations 10

- **SMEs extra Grant-Vouchers.**
- Projects have the option to avail of a Grant-voucher in favour of 1 or 2 SMEs and up to 10% of the overall project budget, in order to extend the consortium and bring SMEs on board at any time of the project lifetime.
- This facilitates an easier incorporation of SMEs in projects, lessening the burden of SMEs to participate in the proposal preparation phase.
- *** Ease spin-in of SMEs to R&D&I projects**



MAPEER SME Project

www.mapeer-sme.eu

- University of Ulster Team: Brendan Galbraith (PI), Professor Maurice Mulvenna (grant holder) and Dr Eileen McGloin (Senior Research Fellow)
- MAPEER SME Conference accepted into the official programme of EC's 'SME Week' in Brussels on 6th October 2011.
- 4th MAPEER European Experts Panel Meeting will be in Brussels on 5th October 2011.
- If you are an SME and would like to become a member of EEP contact: b.galbraith@ulster.ac.uk



Sources:

- Chesbrough, H. Haas School of Business, University of California (Slide 5).
- Engel, J. Haas School of Business, Berkeley, University of California (Slide 4).
- www.mapeer-sme.eu

