INDUSTRIAL LEADERSHIP - Innovation In SMEs

Specific objective

The specific objective is to stimulate sustainable economic growth by means of increasing the levels of innovation in SMEs, covering their different innovation needs over the whole innovation cycle for all types of innovation, thereby creating more fast-growing, internationally active SMEs. Considering the central role of SMEs in Europe's economy, research and innovation in SMEs will play a crucial role in increasing competitiveness, boosting economic growth and job creation and thus in achieving the objectives of the Europe 2020 strategy and notably its flagship initiative 'Innovation Union'.

However, SMEs have – despite their important economic and employment share and significant innovation potential – several types of problems to become more innovative and more competitive, including shortage of financial resources and access to finance, shortage in skills in innovation management, weaknesses in networking and cooperation with external parties, and insufficient use of public procurement to foster innovation in SMEs. Although Europe produces a similar number of start-up companies to the United States, European SMEs are finding it much harder to grow into large companies than their US counterparts. The internationalised business environment with increasingly interlinked value chains puts further pressure on them. SMEs need to enhance their research and innovation capacity. They need to generate, take up and commercialise new knowledge and business ideas faster and to a greater extent to compete successfully on fast evolving global markets. The challenge is to stimulate more innovation in SMEs, thereby enhancing their competitiveness, sustainability and growth.

The proposed actions aim to complement national and regional business innovation policies and programmes, to foster cooperation between SMEs, including transnational cooperation, clusters and other innovation-relevant actors in Europe, to bridge the gap between R&D and successful market uptake, to provide a more business innovation friendly environment, including demand-side measures and measures geared to boosting the transfer of knowledge, and to support taking into account the changing nature of innovation processes, new technologies, markets and business models.

Strong links with industry-specific Union policies, notably COSME and the Cohesion Policy Funds, will be established to ensure synergies and a coherent approach.

Rationale and Union added value

SMEs are key drivers of innovation due to their ability to quickly and efficiently transform new ideas in successful businesses. They serve as important conduits of knowledge spill-over bringing research results to the market. SMEs have a key role to play in technology and knowledge transfer processes, contributing to the market transfer of innovations stemming from the research carried out in universities, research bodies and research performing companies. The last twenty years have shown that entire sectors have been renewed and new industries created driven by innovative SMEs. Fast growing enterprises are crucial for the development of emerging industries and for the acceleration of the structural changes that Europe needs to become a knowledge-based and sustainable economy with sustained growth and high quality jobs.

SMEs can be found in all sectors of the economy. They form a more important part of the European economy than of other regions such as the United States. All types of SMEs can innovate. They need to be encouraged and supported to invest in research and innovation and to
enhance their capacity to manage innovation processes. In doing so they should be able to draw on the full innovative potential of the
internal market and the ERA so as to create new business opportunities in Europe and beyond and to contribute to find solutions to key
societal challenges.

Participation in Union research and innovation strengthens the R&D and technology capability of SMEs, increases their capacity to generate,
absorb and use new knowledge, enhances the economic exploitation of new solutions, boosts innovation in products, services and business
models, promotes business activities in larger markets and internationalises the knowledge networks of SMEs. SMEs that have a good
innovation management in place, thereby often relying on external expertise and skills, outperform others.

Cross-border collaborations are an important element in the innovation strategy of SMEs to overcome some of their size-related problems,
such as access to technological and scientific competences and new markets. They contribute to turn ideas into profit and company growth
and in return to increase private investment in research and innovation.

Regional and national programmes for research and innovation, often backed by European cohesion policy, play an essential role in
promoting SMEs. In particular, Cohesion Policy Funds have a key role to play through building capacity and providing a stairway to
excellence for SMEs in order to develop excellent projects that may compete for funding under Horizon 2020. Nevertheless, only a few
national and regional programmes provide funding for transnational research and innovation activities carried out by SMEs, the Union-wide
diffusion and uptake of innovative solutions or cross-border innovation support services. The challenge is to provide SMEs with thematically
open support to realise international projects in line with companies’ innovation strategies. Actions at Union level are therefore necessary to
complement activities undertaken at national and regional level, to enhance their impact and to open up the research and innovation support
systems.

**Broad lines of the activities**

(a) **Mainstreaming SME support especially through a dedicated instrument**

SMEs shall be supported across Horizon 2020. For this purpose, to participate in Horizon 2020, better conditions for SMEs shall be
established. In addition, a dedicated SME instrument shall provide staged and seamless support covering the whole innovation cycle. The
SME instrument shall be targeted at all types of innovative SMEs showing a strong ambition to develop, grow and internationalise. It shall be
provided for all types of innovation, including service, non-technological and social innovations, given each activity has a clear European
added value. The aim is to develop and capitalise on the innovation potential of SMEs by filling the gap in funding for early stage high-risk
research and innovation, stimulating innovations and increasing private-sector commercialisation of research results.

The instrument will operate under a single centralised management system, light administrative regime and a single entry point. It shall be
implemented primarily in a bottom-up manner through a continuously open call.

All of the specific objectives of the priority ‘Societal challenges’, and the specific objective ‘Leadership in enabling and industrial technologies’
will apply the dedicated SME instrument and allocate an amount for this.

(b) **Support for research-intensive SMEs**

The goal is to promote transnational market-oriented innovation of R&D performing SMEs. A specific action shall target research-intensive
SMEs in any sectors that show the capability to commercially exploit the project results. This action will be built on the Eurostars
Programme.

(c) **Enhancing the innovation capacity of SMEs**

Transnational activities assisting the implementation of and complementing the SME specific measures across Horizon 2020 shall be
supported, notably to enhance the innovation capacity of SMEs. These activities shall be coordinated with similar national measures when
appropriate. Close cooperation with the National Contact Point (NCP) Network and the Enterprise Europe Network (EEN) is envisaged.

(d) **Supporting market-driven innovation**

Transnational market-driven innovation to improve the framework conditions for innovation shall be supported, and the specific barriers
preventing, in particular, the growth of innovative SMEs shall be tackled.
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See parent programme

See all projects funded under this programme or topic

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