



Informal Competitiveness Council of Research and Innovation Ministers

**How to optimize the benefits of research investment for European jobs, growth and society
- the SME perspective -**

Thursday, May 2nd, 2013
Dublin

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Key factors to optimize the benefits of research investment for European jobs, growth, and society – the SME perspective

Executive Summary

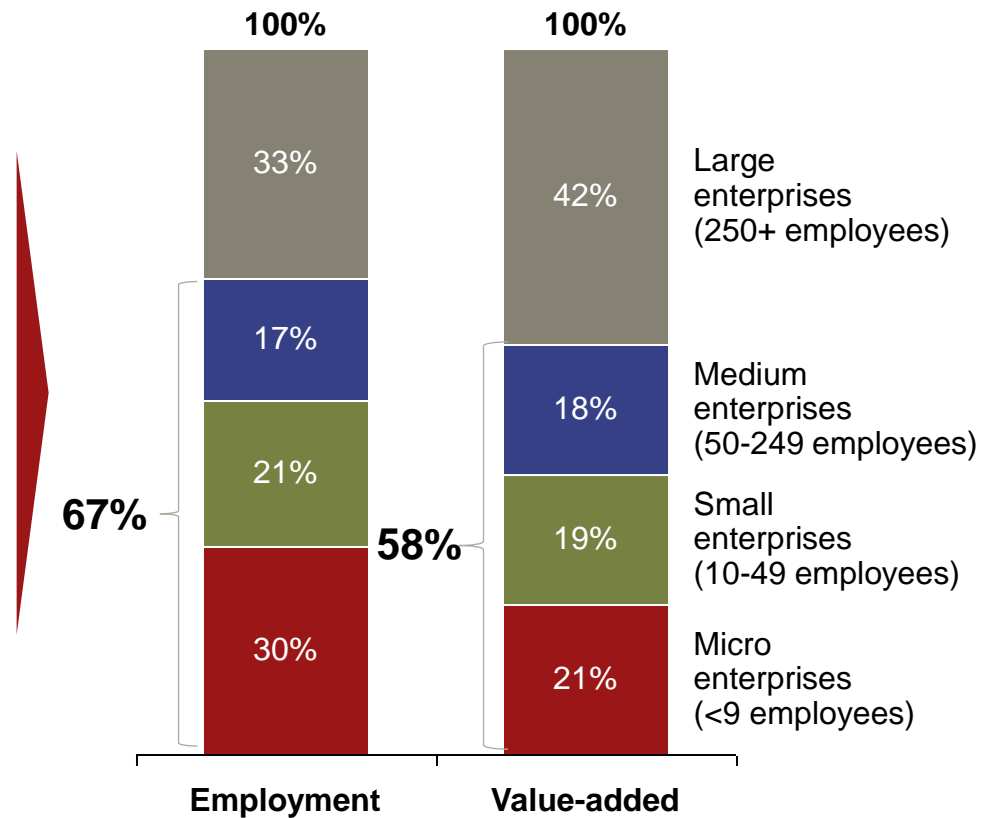
- **SMEs are the backbone of Europe's economy:** they account for 68% of employment, 58% of value-added and need to take a key part in investigating potential to optimize research investment
- **R&D investment is a key lever to develop sustainable growth** – in recent years, however, SMEs in EU-27 were struggling to reach or even exceed the 2008 level of value-added and of employment
- **A.T. Kearney has conducted a survey with the IMP³rove network to identify barriers for benefits of research investment and actions to move forward:**
 - **The EU and many member states have launched ambitious strategic projects in order to make R&D more efficient – and the improve network is aware of national strategies**
 - EU-27 states need to further develop their strategies to ensure result-orientation and transparency of available support to SMEs – e.g.: ca. **50% of IMP³rove participants state that the national innovation/research strategy is not transparent to the majority of their SME clients**
 - **These findings are not only valid for a small subgroup of countries: even top performing countries with growth in value-added and employment of SMEs since 2008 yield similar results**
 - **Required actions by EU-27 member further include:**
 - **Improvement of the interface between research programs and SMEs** (reduction of administrative burden and acceleration of decision process for funding)
 - **Improvement of the conditions for SMEs** (improvement of cooperation between academia and SMEs, improvement of marketing for available funds and offerings for SMEs, optimization of transparency and availability of resources to support SMEs)

SMEs are the backbone of Europe's economy

Contribution of SMEs to Employment and Value-added¹ in EU-27



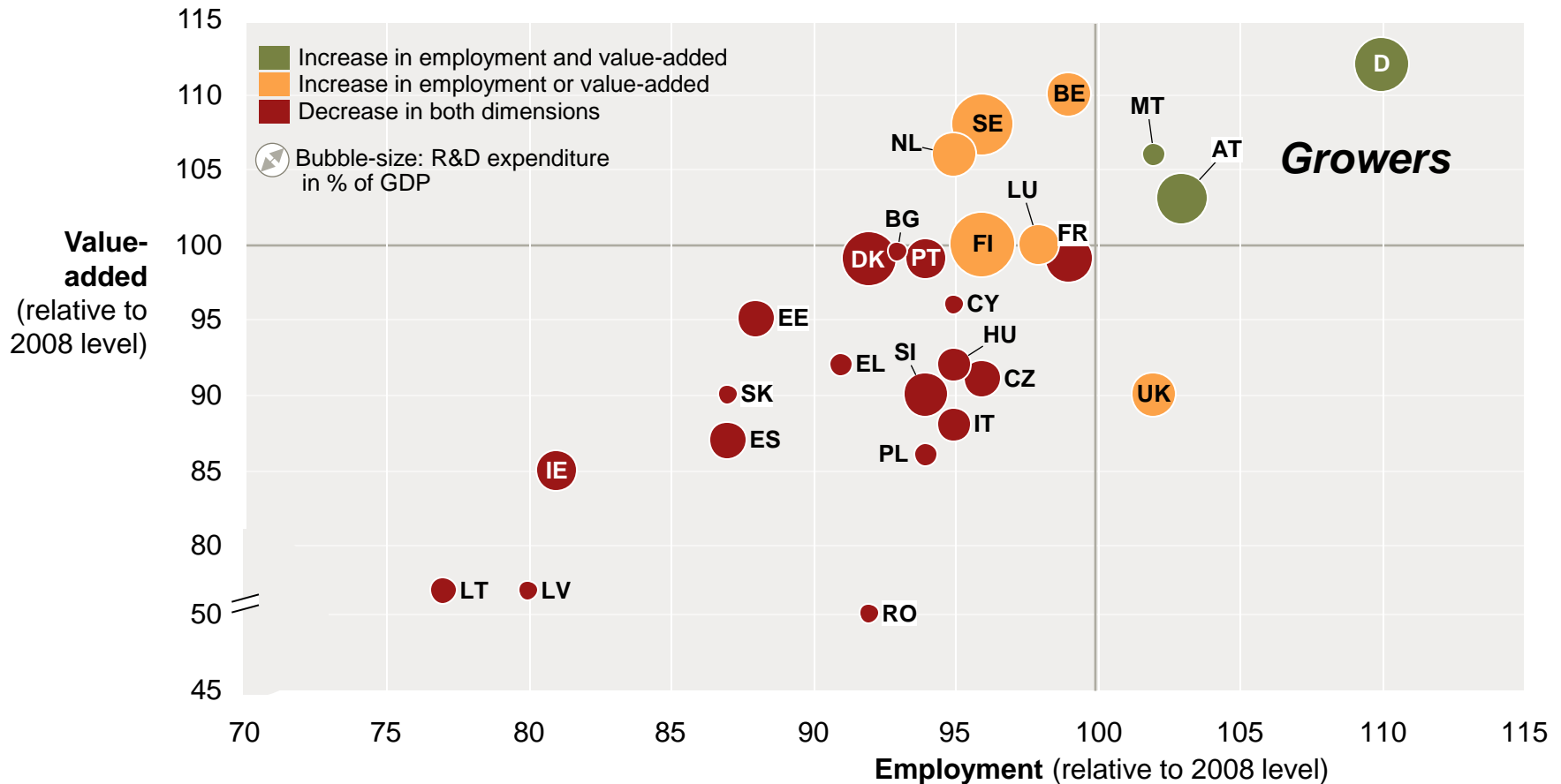
■ EU-27 countries



1. (Gross) Value-added remains when the intermediate costs are deducted from sales or turnover.
Source: ECORYS "EU SMEs in 2012: at the crossroads"

In recent years, SMEs were struggling to reach or even exceed the 2008 level of employment and value-added

Value-added and employment in SMEs compared to 2008 level

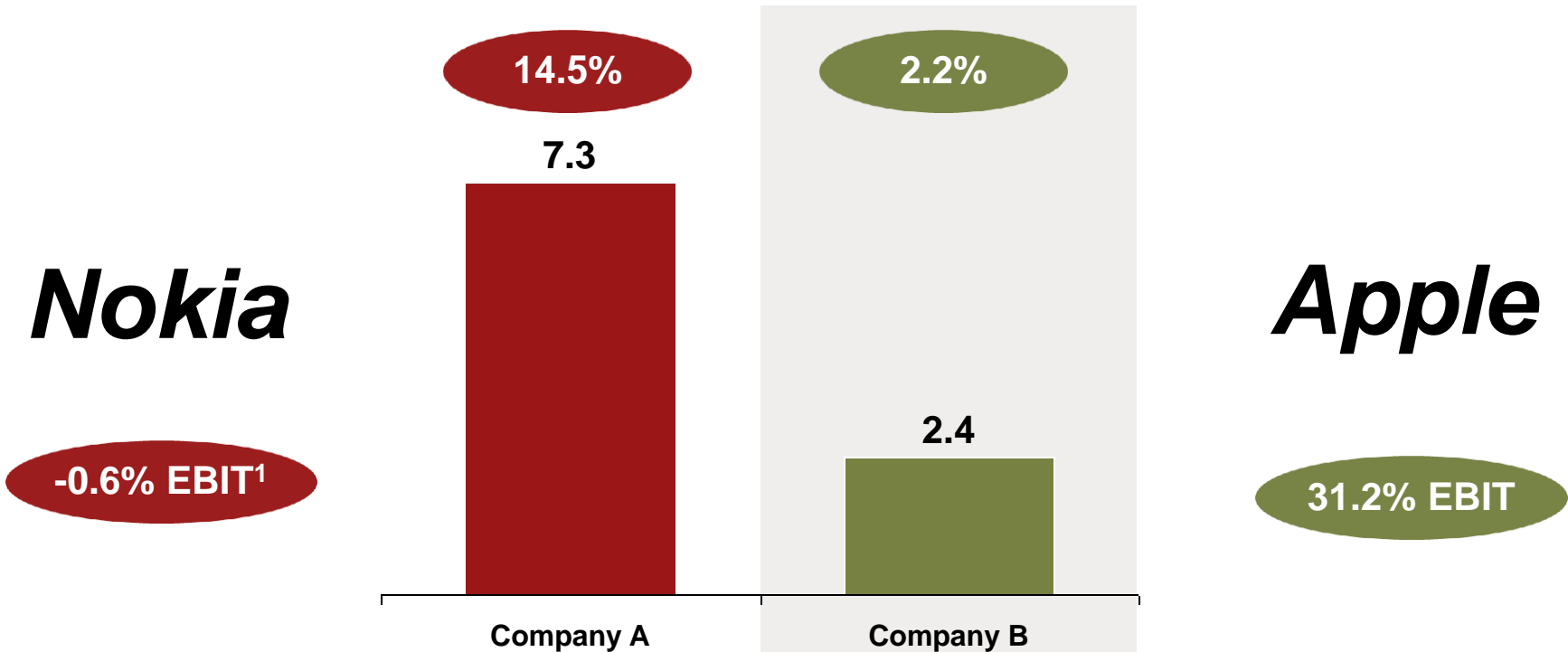


Correlation in between amount of R&D investment and growth questionable!

Also for corporates R&D spending does not automatically lead to competitiveness and profitable growth

R&D Spending and EBIT
(FY 2011, in US\$ bn and % of revenue)

Examples



To bring the right ideas successfully to market, there is more required than R&D spend

1. Adjusted for other expenses including one-off restructuring costs, related and share impairments and outsourcing of Symbian to Accenture; also adjusted for other income such as a beneficial cartel ruling; revenues of both companies comparable in between \$ 60-70 bn
Source: A.T. Kearney

Innovation leaders, or profitable growth champions, benefit from superior innovation management capabilities

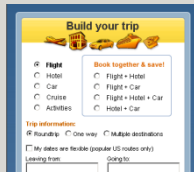
Types of innovation



Product innovation
e.g. Apple's iPhone



Process innovation
e.g. RFID and bar codes in logistics



Service innovation
e.g. realtime flexible packaging in travel

EBAY

Business model innovation
e.g. reverse auctions at EBay

Definition of innovation management

The capability to manage an invention or an idea for

new products, new processes, or new services,

or

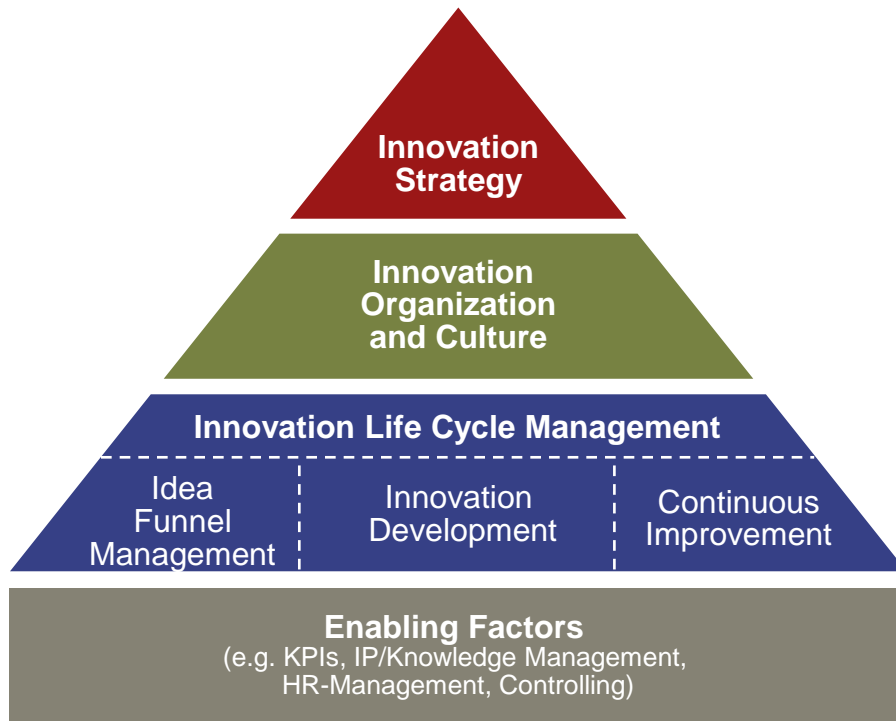
a new or a fundamental improvement to a business model

up to its successful realization in the market driving profitable growth

Superior Innovation management capabilities are built in 4 dimensions leading to the targeted innovation success

Overview

House of Innovation Management

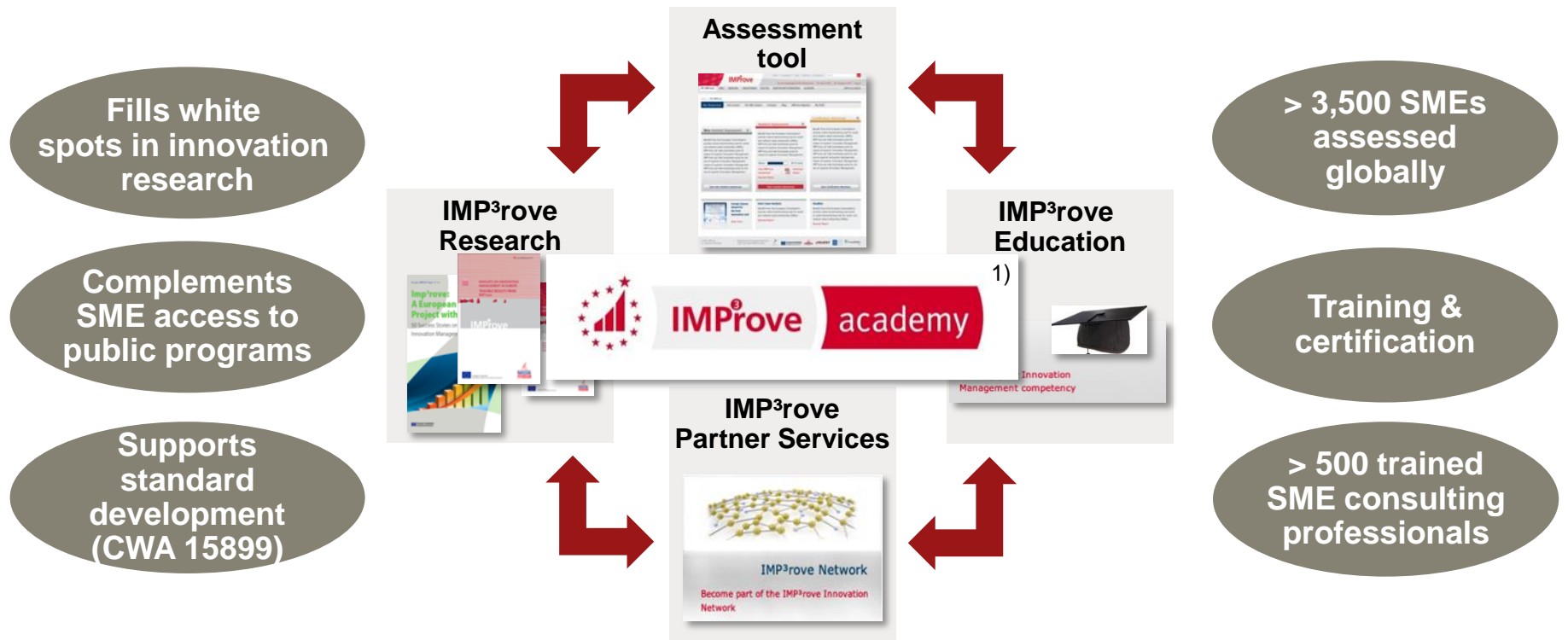


Innovation Success

- Profitable growth
- Value-add growth
- Employment growth

The SME perspective in EU-27 in this context has been developed leveraging the IMP³rove platform and network

The IMP³rove platform and network



European IMP³rove Platform and Network developed since 2006

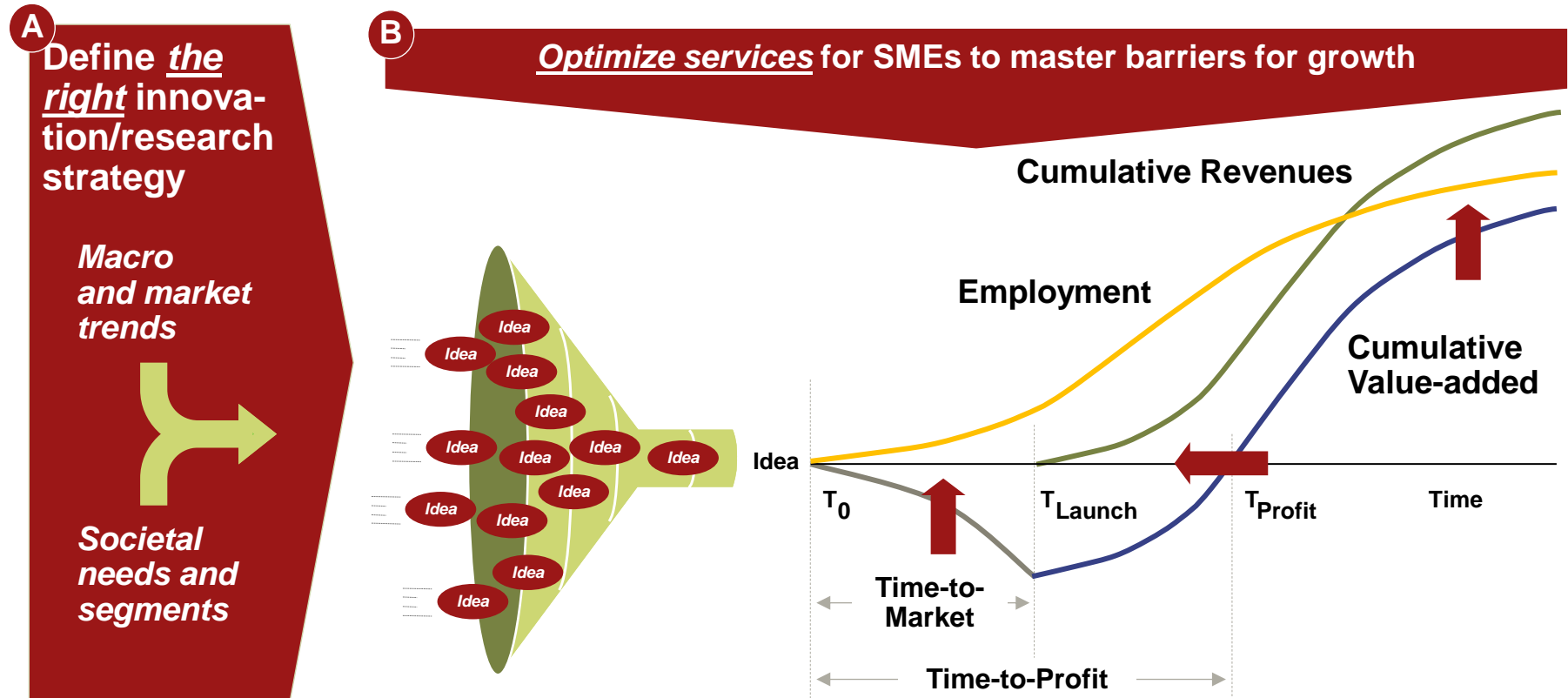
IMP³rove: IMProving **I**nnovation **M**anagement **P**erformance with sustainable **IMP**act – a project set-up by the European Commission to address the needs of SMEs across and beyond EU-27 –

1) IMP³rove Academy: a Non-For-Profit Legal Entity in foundation

Source: A.T. Kearney/IMP³rove

To optimize benefits of research investments SMEs see two major levers and related action clusters

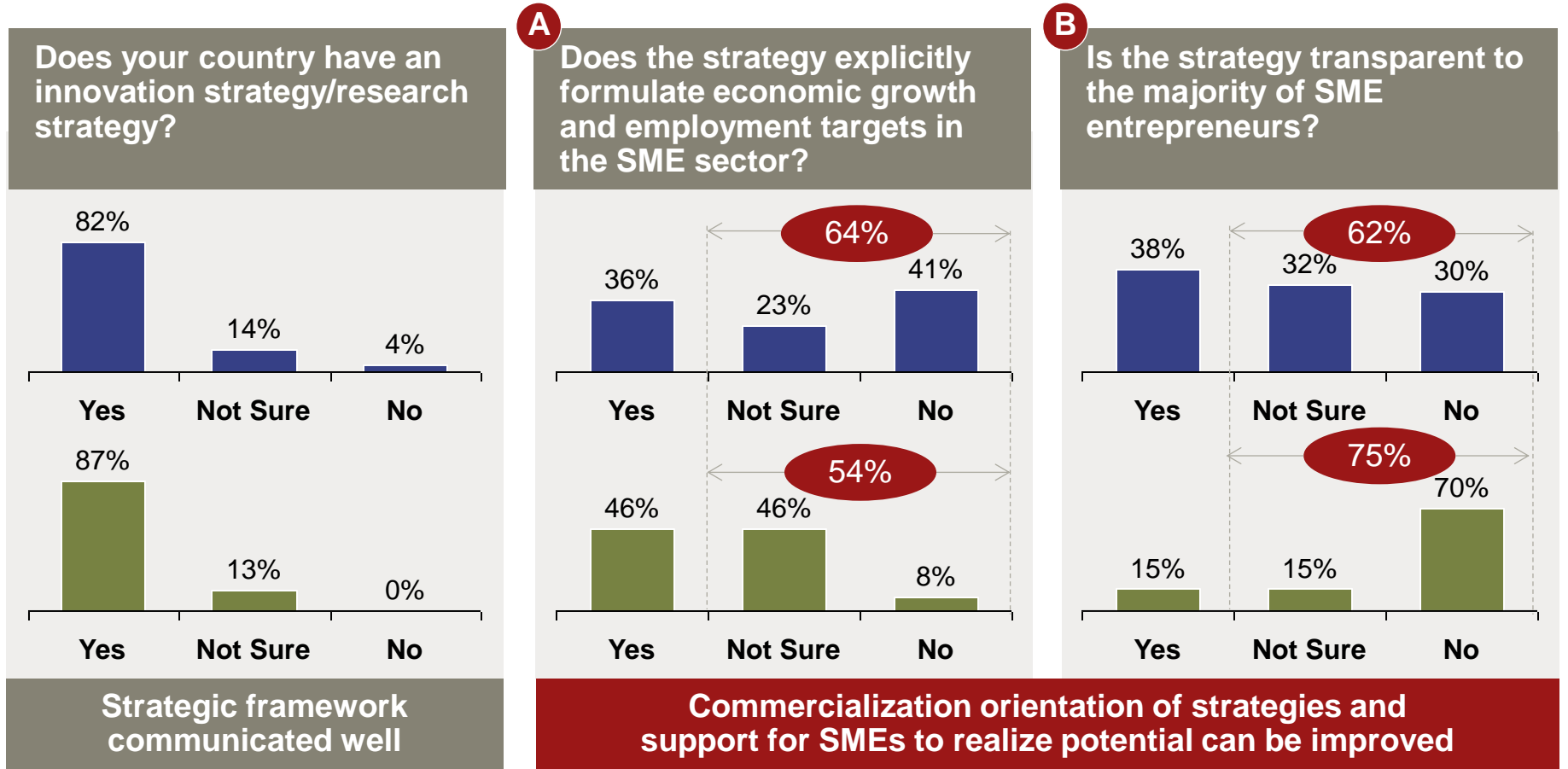
Innovation policy levers to turn investment¹⁾ even better into employment and value-added growth



1) Target of Europe 2020: 3% of the EU's GDP to be invested in R&D
 Source: A.T. Kearney

There is high awareness for innovation/research strategies in EU-27 SMEs, but also significant room for improvement

SME View



Legend: ■ Growers ■ EU-27 excluding Growers

Source: A.T. Kearney based on survey within IMP³rove network in EU-27

6 action clusters were derived from the network to overcome barriers and optimize benefits of R&D investment in EU-27

SME View

Selection

A Strategy

B Services for SMEs

1 Barrier: National research/innovation strategy not aligned to the needs of SMEs
Action: Stronger focus of differentiated regional strategies on regional SME ecosystems

2 Barrier: The strategy is not result oriented/clearly operationalized
Action: Incorporate market potential and commercialization into innovation strategies

3 Barrier: Strategy is implemented unequally across the country
Action: Ensure adequate regional interfaces to SMEs

4 Barrier: Cooperation between academia/researchers and SMEs is weak
Action: Foster improved cooperation between academia and SMEs

5 Barrier: Lack of knowledge in SMEs about research investment programs
Action: Improve marketing and accessibility of available offerings for SMEs

6 Barrier: Lack of qualified support for SMEs
Action: Optimize transparency and availability of services to support SMEs growth

Plans to develop the EU 27 Innovation Union needs to consider building better SME innovation management capabilities

Summary

Accelerating change ...



... while building on the specific strengths

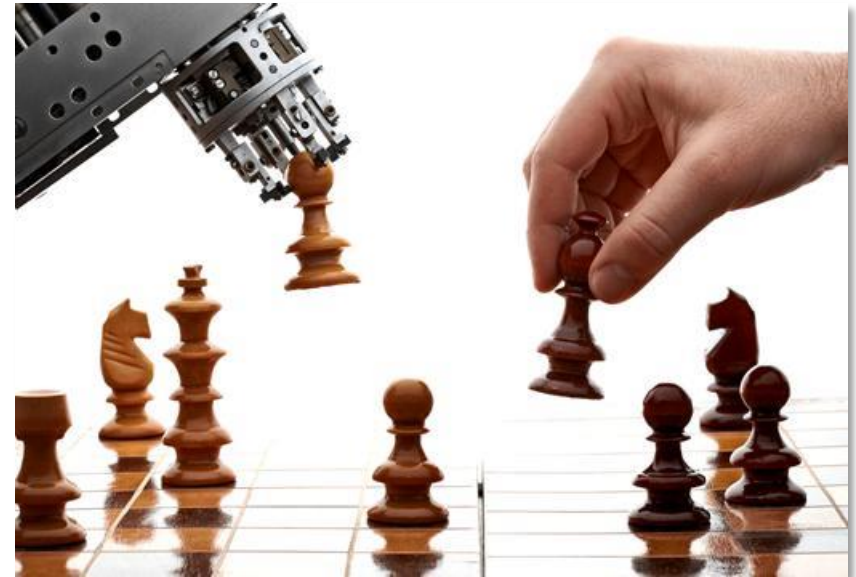
Develop European innovation **strategy beyond national thinking which addresses barriers for SMEs:**

- A** Build national/regional strengths, leverage strengths of regions while tailoring strategies to market success (incl. commercialization)
- B** Specifically support **SMEs** to overcome growth barriers
 - **Aim at strengthening SMEs innovation management capabilities** (help in market access, transformation to next size segment)
 - **Build an optimized service infrastructure, offer a simplified and pragmatic support** aiming at sales growth and employment growth

One final statement ...



**Leading Innovation Management
is
NOT an art, ...**



**... it is a capability,
which need to be and can be built
among EU 27 SMEs!**

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