



*The European
Industrial Research and Technology Organisations*



European Association of
Contract Research Organisations

Federation of European Industrial
Cooperative Research Organisations

SMEs IN THE 5th FRAMEWORK PROGRAMME

A Joint EACRO-FEICRO Position Paper

This paper was prepared by a group of experts from the EACRO and FEICRO memberships under the chairmanship of Dr. Volker Hornung, Forschungsinstitut für Rationalisierung, Aachen (D) and has been circulated for discussion and comment among the memberships of the two associations.

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INTRODUCTION

1. SMEs are of major importance to the future European economy because:
 - they make a major contribution to the creation and maintenance of employment, and in many regions of Europe they are the predominant providers of jobs and livelihood;
 - they account for a significant share of European GNP, and are the principal sources of wealth creation in many parts of the Union;
 - they occupy unique and strategic positions in the delivery chain, providing highly specialised niche products to large enterprises, for example, as well as ensuring a diversity of supply of goods and services adapted to the needs of final customers.

2. Europe's SMEs have a strong need for assistance and cooperation at European level in order to:
 - improve their access to the internal Common Market;
 - increase their competitiveness in global markets, both as exporters as well as in their home markets in the face of increasing competition from imports;
 - ensure timely and effective diffusion and exchange of technological state-of-the-art know-how, and to
 - support their response to matters of common interest, e.g. European technical norms and standards, certification and testing, environmental goals etc.

3. The principal objective of European RTD activities with respect to SMEs must be to strengthen their competitiveness, while taking full and necessary account of their specific cultural and structural characteristics, in particular their:
 - lack of in-house RTD capacity;
 - limited access to European RTD programmes and information;
 - limited management capacity, which is usually fully occupied with day-to-day matters;
 - focus on short-term technical problem-solving rather than on longer-term strategic RTD.

4. This paper offers suggestions for further improvement to CRAFT-type schemes in the Fifth Framework Programme, with the objective of increasing SME access to European RTD activities. If, contrary to our expectations, a Fifth Framework Programme should not be adopted, a thorough discussion from first principles of SME-specific measures in the context of European RTD will be necessary. In that eventuality, a newly tailored SME-support scheme should be considered which would integrate not only the existing SME-specific RTD and technology transfer programmes but which would also incorporate best practice with regard to technology-related organisational issues.
5. The new definition of SMEs which has been proposed by the European Commission is likely to cause difficulties if applied too rigidly in the Fifth Framework Programme. We would argue strongly for its flexible application, in particular to take proper account of the size and related organisational characteristics of different branches.
6. It is our firm conviction that a clear focus on the RTD aspects of innovation, with continuing support for SMEs through specific measures, must be firmly and permanently anchored in future European RTD activities. In view of the wide acceptance which CRAFT-type schemes have achieved in European RTD, future European RTD activities should be improved by building on the positive experience of CRAFT.

EXPERIENCE FROM THE FOURTH FRAMEWORK PROGRAMME

7. During the Fourth Framework Programme the European Commission introduced many significant improvements which helped to facilitate and increase SME participation in European RTD activities. Recognising SMEs' limited in-house RTD capacity, the Commission extended the CRAFT scheme, which successfully increased the number of SMEs participating in Brite Euram II, to most other European RTD programmes. A further improvement was the introduction of "Exploratory Awards", which encouraged still more SMEs to join EU-wide RTD consortia. Important, too, was the Commission's decision to introduce SME-specific information dissemination and networking schemes, in particular the CRAFT Stimulation Actions, which are frequently implemented by Industrial Research and Technology Organisations (IRTOs) and which have improved the supply of programme information to SMEs while ensuring valuable feedback to the Commission about SMEs' real needs and requirements.

8. There remain, however, several SME-specific problems which still need to be addressed, as has been clearly shown by the CRAFT Stimulation Actions:
- the major administrative effort which the current Commission procedures require of SMEs wanting to enter and manage European RTD consortia remains a particular problem because it far exceeds the management capacity available to the vast majority of them;
 - the “innovation” criterion requiring that RTD leads beyond the current technological state-of-the-art does not correspond to the real needs of most SMEs, which are for relatively low-risk incremental innovation to provide practical solutions to current problems;
 - long application and project lead times, resulting from current administrative procedures and the strong research character of European RTD projects, which are fully at odds with SMEs’ need to accelerate the improvement of their competitiveness.

PROPOSALS FOR THE FIFTH FRAMEWORK PROGRAMME

9. On the basis of the foregoing, which is confirmed by the extensive SME field experience of the over 600 IRTO’s in the combined membership of EACRO and FEICRO, we should like to see the following six core measures implemented in the Fifth Framework Programme in order better to meet the real needs and requirements of SMEs:

I *Improve co-ordination among the individual European Union RTD programmes in order to improve SMEs’ understanding of and access to those programmes which serve their needs best:*

- introduce an SME-specific single-entry point at Commission level dealing with all programmes;
- use CRAFT/TSME Focal Points at national/regional level as SME specific-access nodes for. all programmes.

II *Strengthen the decentralisation of Step One application and evaluation procedures in order to reduce lead times:*

- involve Focal Points in the evaluation of Step One proposals;
- extend the present network of national/regional Focal Points by creating a permanent horizontal European link including additional competent organisations, such as IRTO’s, to facilitate trans-national and trans-sectoral partner-search and consortium-building.

III ***Permit intermediaries with a proven industrial background, such as IRTOs, to identify and formulate SME-specific research needs on behalf of their clients.***

IV ***Allow IRTOs and other SME-driven research organisations to propose and manage SME-specific RTD projects, in order to increase SME participation by reducing substantially the administrative burden on SME managers while assuring the perfect alignment of SME needs and programme objectives.***

V ***Introduce a “Collective Research” scheme enabling SME-driven research organisations to conduct joint cross-national research focusing on common SME-specific RTD needs:***

- the broad relevance of the RTD being confirmed by a substantial number of verifiable industrial Expressions of Interests;
- permitting organisations representing clusters of SMEs, e.g. branch associations, to contract RTD from IRTOs;
- requiring cross-national RTD among the participating research organisations, while keeping the involvement of SMEs more flexible;
- encouraging IRTOs to catalyse and to encourage cooperation between enterprises (SMEs and others)

VI ***Ensure adequate financial resources for SME-specific programmes and projects, taking due account of the limited resources available to most SME 's:***

- granting financial support explicitly for the management of CRAFT-type project management;
- allocating resources flexibly to the various programmes in order better to tit the-profile of SME-specific RTD needs as they emerge and evolve during the bottom-up processes of problem identification, partner search and proposal preparation.

10. In addition, the current “innovation” criterion in European RTD programmes must be better adapted to the cultural characteristics of SMEs. Presently, programmes expect SME's to engage in longer-term strategic RTD. To be really relevant to SME's, however, policy should also incorporate programmes focused on shorter-term problem-solving (incremental innovation) requiring RTD to adapt existing technology to SME-specific needs. Furthermore, support should be extended beyond RTD in the narrow sense so that qualified IRTO's can assist SME's with the implementation of industrial best practises.

CONCLUSION

11. The Fifth Framework Programme should consistently follow and build on the positive experiences of the Fourth Framework Programme. In order to increase the competitiveness of European SMEs, a dual approach is necessary which incorporates both the current approach of break-through innovation as well as fast-track, SME-driven, step-by-step RTD focusing on the adaptation of state-of-the-art technology to the specific needs of SMEs. The latter can be achieved by continuing to promote RTD projects relevant to SME needs and, in addition, by reinforcing the current SME-specific cooperation and dissemination activities. This broadened approach can benefit from the experience and expertise of well-established SME-driven cooperative and contract research organisations with a proven record of providing state-of-the-art RTD and information-support services designed to disseminate best practice widely among SME's.