

FP8 Evidence Gathering & Consultation

An SME Sector Perspective

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A Perspective from Key Segments of the SME Sector

The questions I'll be addressing

- How can UK SME industrial participation and economic benefit be optimised?
- What instruments should be prioritised taking into account lessons learned?
 - From the bureaucratic process of administering FP7
 - From the observed economic outputs from projects in FP5 and FP6
- How could we coordinate better in the UK to take part in FP8 for added benefit?

Who Are Pera and What is Our Connection to The SME Sector?



An International Open Innovation Network

During FP6 and FP7 so far iNet has helped...

5,000 SMEs to participate in European R&D,
Built 750 FP proposals and won 300 projects
Connecting 50 Universities & RTOs into SME R&D



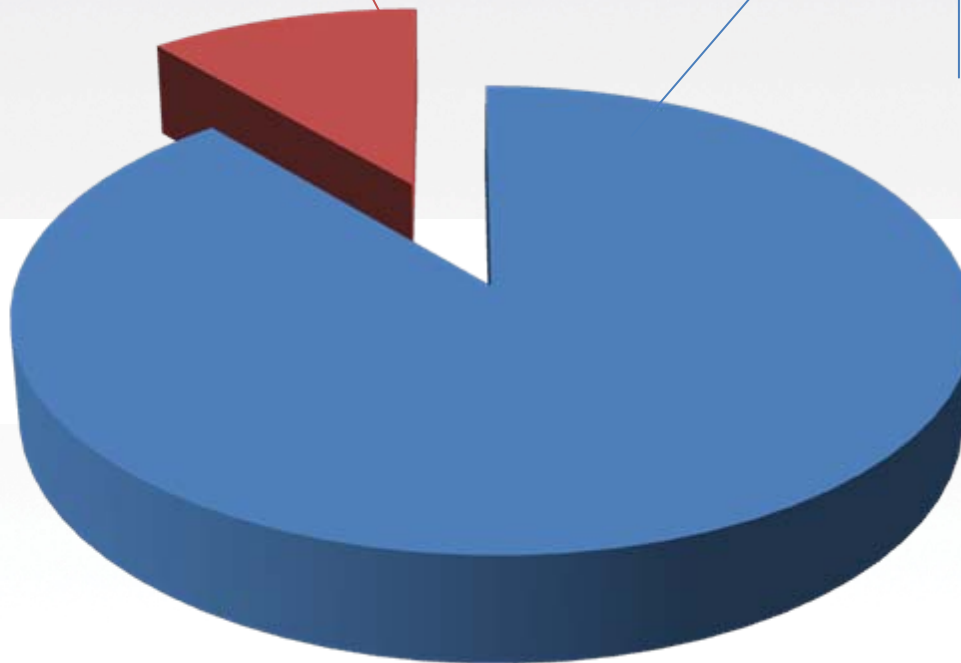
UK RTOs Supporting SMEs in FP7 So Far (SME Measures)

Other UK RTOs

- TWI
- Rapra
- CCFRA

iNet RTOs

- Pera
- PRA
- NPL
- QinetiQ
- ITRI



135 Projects in 24 Months

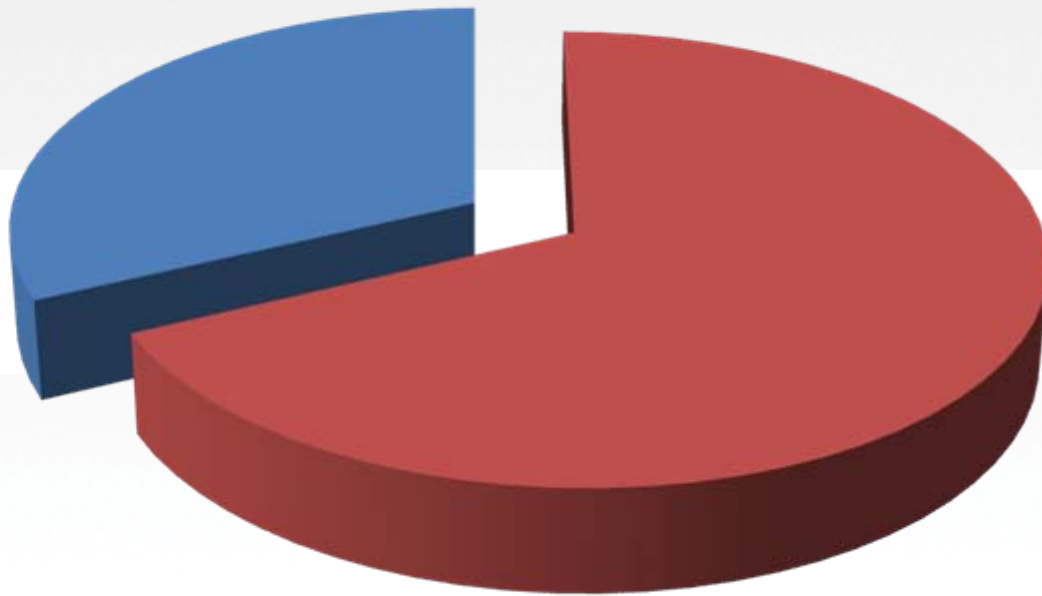
■ iNet RTOs

■ Other UK RTOs

Source: Cordis January 2010

UK RTOs Supporting SMEs in FP7 So Far (SME Measures)

- SME Projects Supported by Other Organisations
- SME Projects Supported by Pera & iNet



Source: Cordis January 2010

How can SME participation and economic benefit be optimised?

- Its a question of the right question!

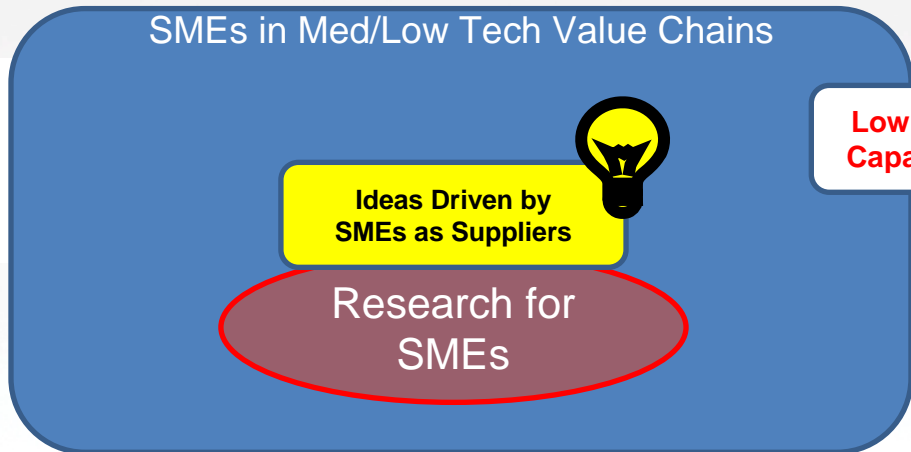
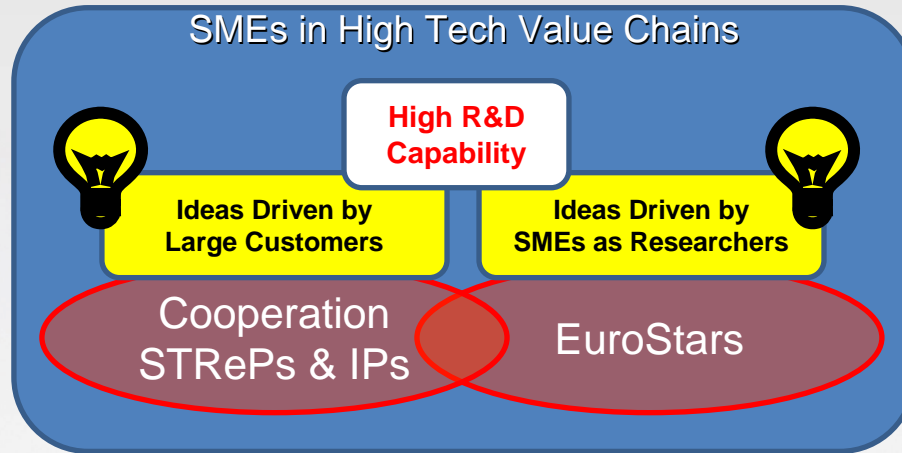
***“Ask not how SMEs can be helped to participate,
but which SMEs should be targeted and how!”***



How can SME participation and economic benefit be optimised?

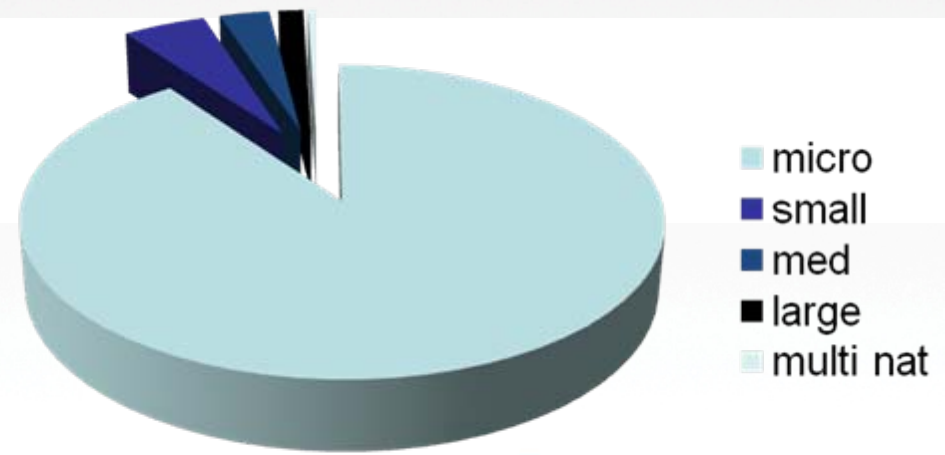
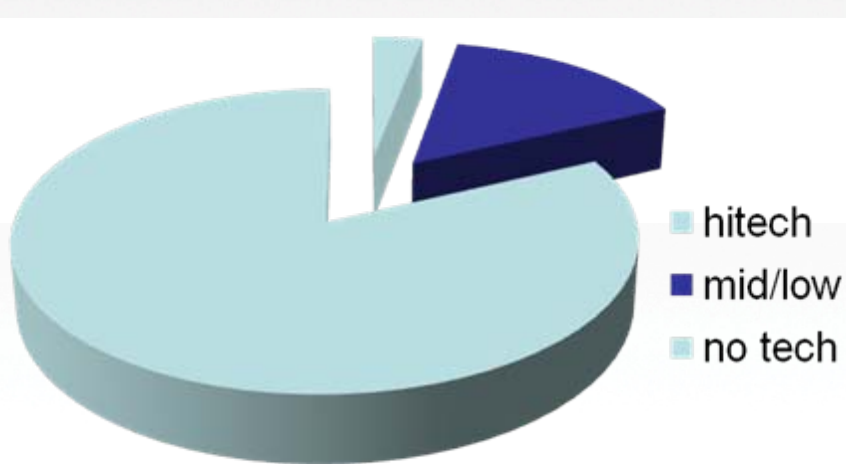
So what are the main SMEs segments and which tend to demonstrate the greatest degree of market pull in the way they innovate and use R&D?

Where Does The Market Demand for Industry Projects Come From?

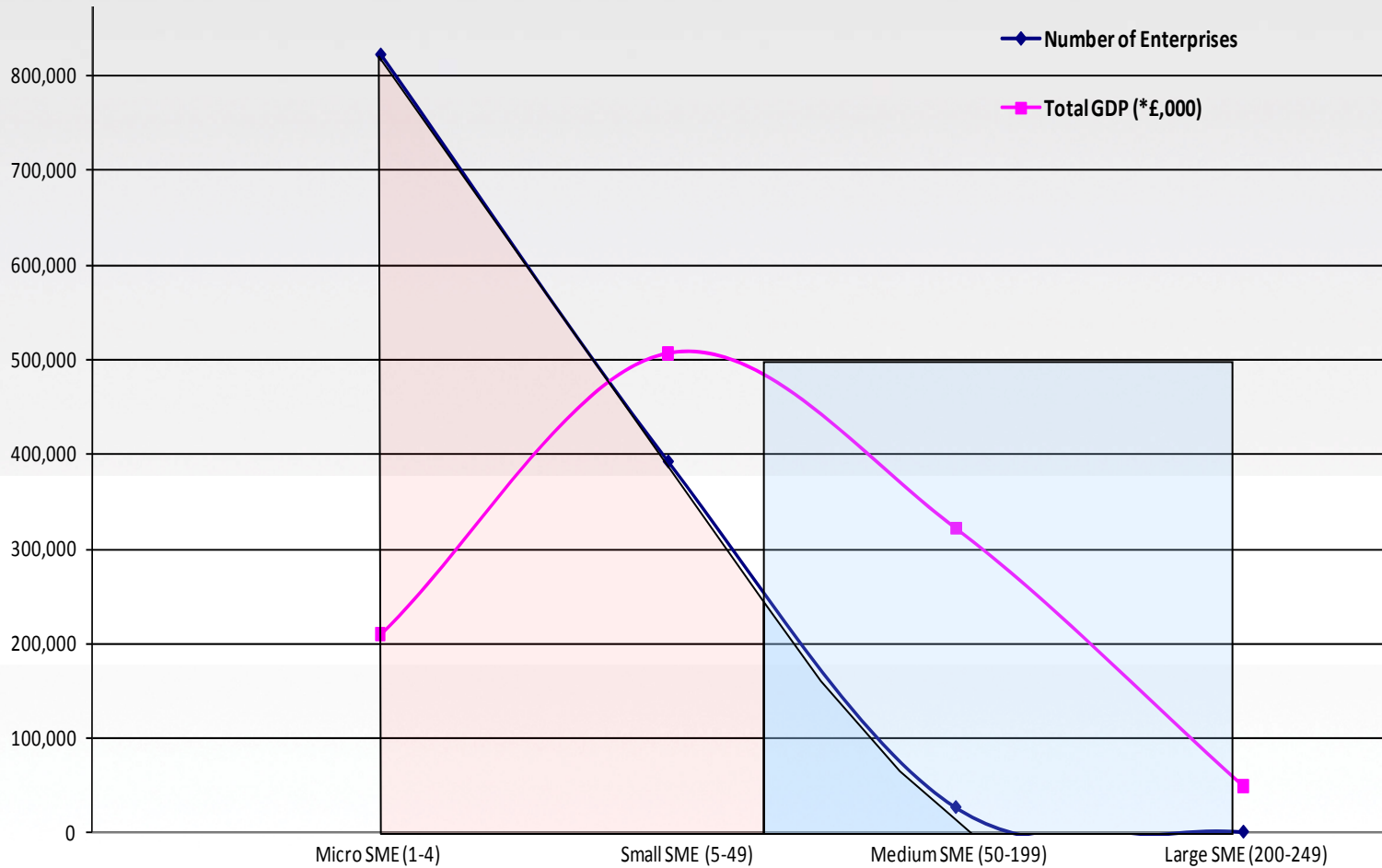


Comparing High-Tech and Mid-Tech Economic Significance

- Mid-techs tend to be older and larger than high-techs
- Most high-techs start-ups do not escape the micro phase
- Mid-techs are much more economically significant
- Mid and low techs represent huge economic potential if helped to innovate



The Economic Significance of Age and Size

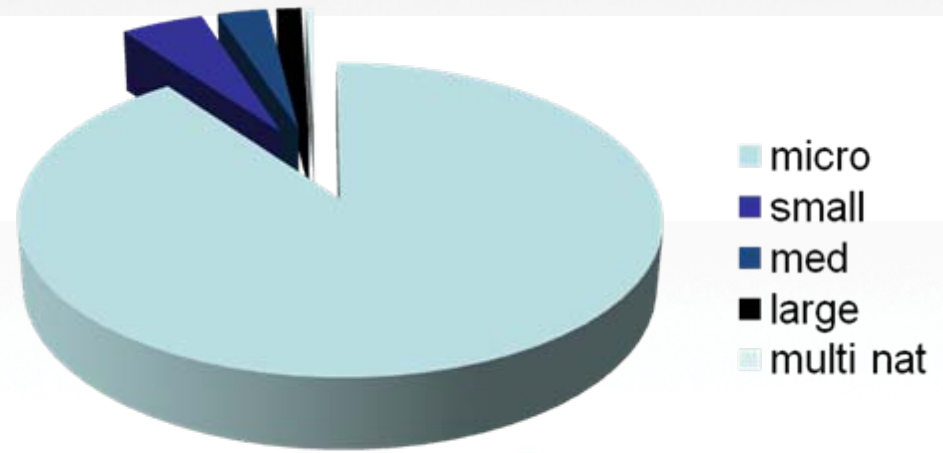
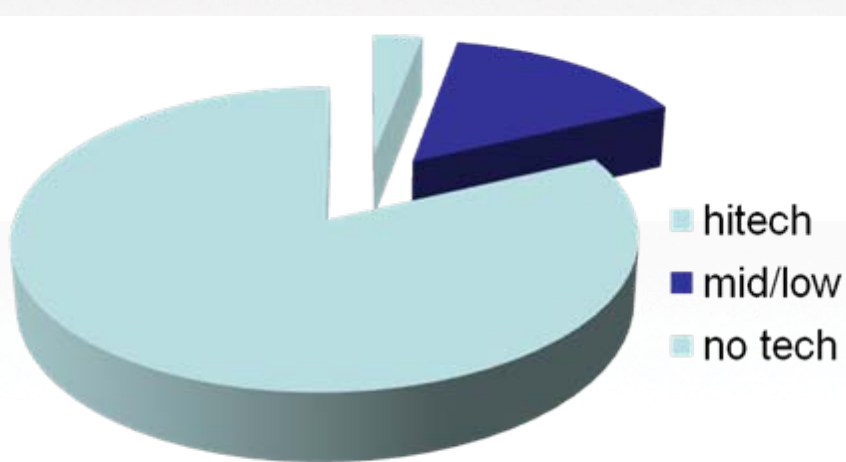


The Economic Significance of Age and Size

*Older, larger SMEs between 10-250 employees
constitute just 8% of the total SME population
but produce 64% of SME GDP*

Comparing High-Tech and Mid-Tech Economic Significance

- Mid-techs tend to be older and larger than high techs
- **Most high-techs start-ups do not escape the micro phase**
- Mid-techs are much more economically significant
- Mid and low techs represent huge economic potential if helped to innovate



High-Tech Start-ups and Escaping the Micro Phase

- Most do not survive and many remain small for long periods of time
- Of 250,000 start-ups founded in 1998 and surveyed in 2008
- 62% failed to survive and 33% failed to grow beyond 20 employees

Source: NESTA: The Vital 6%, October 2009.

Most High-Techs Do Not Escape From The Start-up Micro Phase

But what about the Google Phenomenon..

what about the high-tech = high-growth?

- Over 70% of high-growth SMEs are within the SME segment of 10-250
 - Although they represent only 8% of the SME population!
- H-G SMEs are not exclusive to 'high-tech' or 'growth-sectors'
- All major UK sectors contained between 4% and 10% of H-G SMEs
- H-G firms are almost equally present in 'high-tech' and 'low-tech' sectors

Source: NESTA: The Vital 6%, October 2009.

How can SME participation and economic benefit be optimised?

***Economic development through SME innovation
is unlikely to be achieved by focussing primarily on
high-techs and start-ups!***

Instruments To Be Prioritised Taking Into Account Lessons Learned?

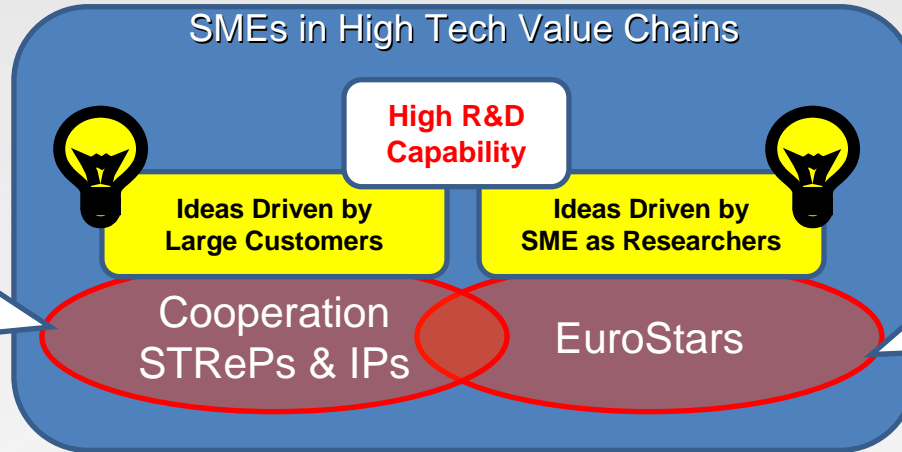
Instruments That Equally Engage

Mid-Sized & Mid-Tech SMEs as High-Tech & Start-ups!

Instruments To Be Prioritised Taking Into Account Lessons Learned?

77.5%

€4.8Bn (15%) will go to High-Tech SMEs here, 30% of which are micro-sized



1.5%

€0.1Bn will go to High-Tech SMEs here almost all of which are small & med sized

SMEs in Med/Low Tech Value Chains

Ideas Driven by SME as Suppliers

Research for SMEs

Low R&D Capability

€1.28Bn will go to Mid-Tech SMEs here, almost all of which are small & med sized

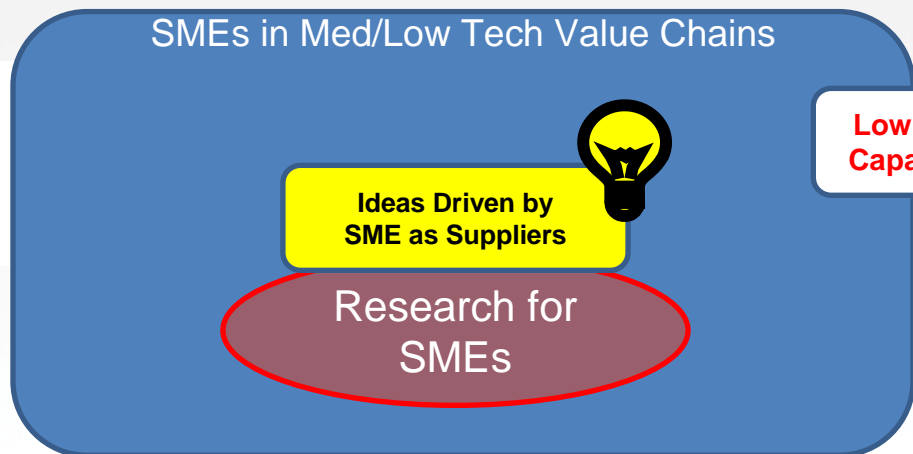
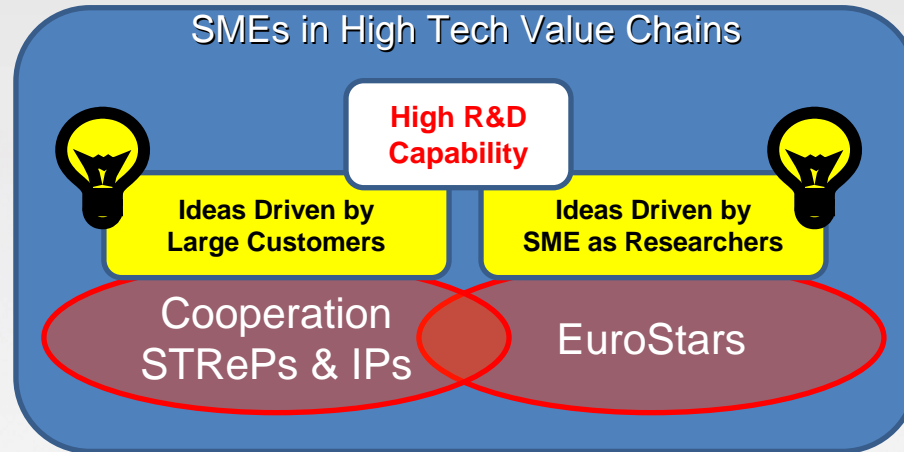
21%

SMEs in Med/Low Tech B2B Markets

Ideas Drive by SMEs as Customers

Research for SME Assoc

A 50:50 Balance Rather Than an 80:20 Imbalance for Better Impact

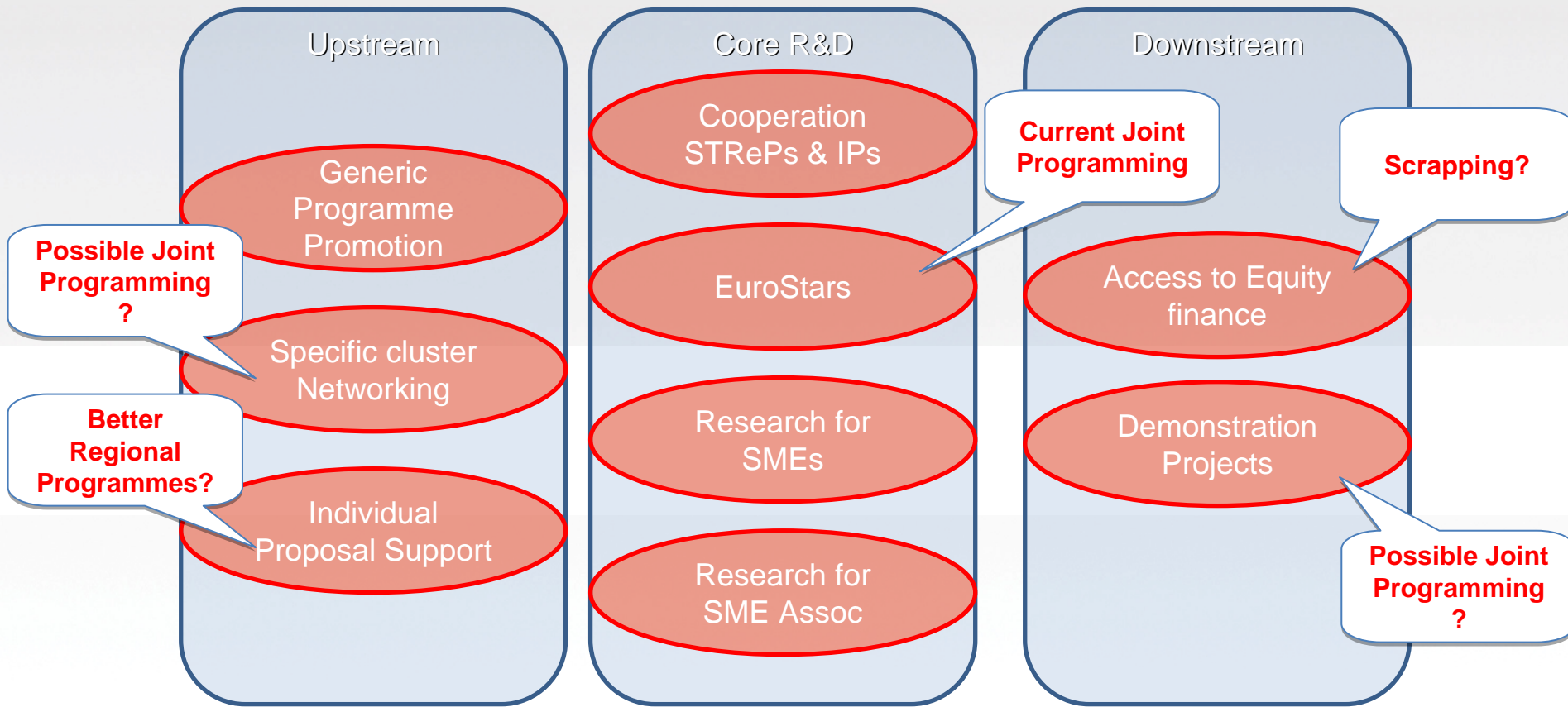


What Instrument Improvements Relative to Lessons Learned?

- Dedicated SME Measures have been around for five FPs
- Been incrementally and slowly developed and refined
- Escaped the grand designs of Busquin and the simplification of Potochnik
- Been outsourced to a dedicated agency for focus - REA
- How can they be improved and optimised?
 - They're as good as anything in design
 - They suffer from heavy admin relative to grant size and total activity

How Could We Coordinate Better In The UK To Maximise Benefit?

Who can best to deliver upstream, downstream and core support to FP R&D?



Role of Regions and Member State Joint Programming



PERA

The Innovation Network