



ISME SUBMISSION TO CONSULTATION
FOR SUCCESSOR TO STRATEGY FOR
SCIENCE, TECHNOLOGY AND
INNOVATION

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ISME, the Irish Small & Medium Enterprises Association, is the only INDEPENDENT body representing owner managers of small & medium businesses in Ireland. Small and Medium Enterprises (SMEs) constitute 99% of all businesses in Ireland, employ over 800,000, which equates to 68% of Private Sector employees and 52% of total employees.

ISME welcomes this opportunity to submit views related to the 'Consultation Paper for Successor to Strategy for Science, Technology and Innovation'.

Ireland's enterprise RD&I expenditure is dominated by foreign owned firms. In 2012, only 33% of RD&I expenditure was by indigenous business. There are low levels of collaboration between businesses and higher education institutions. Ireland's share of businesses involved in new product and development of services research is low in comparison with other countries. This must change if Ireland is to become a truly innovative and progressive business environment.

The relationship between technology advances and economic growth can be separated into three distinct stages. First, there is the process of scientific discovery or invention itself. Second, there are innovations, commercial applications of inventions, which add value by reducing costs, enhancing the quality of existing goods and services or creating new products. Third, there is technology diffusion, the process by which technical change trickles down from technology leaders to other industries. Technology diffusion thus creates the opportunity for progressively enhancing value added across the economy. SME involvement in all stages of this process is vital towards attaining sustainable economic growth.

Building the Absorptive Capacity of SMEs

The strategic review to assess the current performance of the STI system carried out in 2013 found that there is a 'comparatively lower absorptive capacity of SMEs'. SMEs face particular capability and capacity challenges due to their size, scope and funding. In recent years SMEs have been focused on surviving the recession and their time has been consumed with overcoming the obstacles posed by reduced consumer demand and credit issues. They have been concentrating on survival and

not on growth and development. However, this is beginning to change and Owner-managers are now looking to the future and considering how best to expand their product and service ranges. There is scope for them to engage with researchers and HEIs to develop new and improved offerings but many SMEs are unaware of this opportunity. R&D is primarily used by multi-nationals so there is a perception that it is not a viable option for SMEs. If there is to be an increase in SME engagement with RD&I this perception must be changed.

Changing the perception that RD&I is only for large companies can be done through effective communications with SMEs. Owner managers must be made aware of the opportunities that exist in relation to RD&I and this can only be achieved through a targeted information campaign. Communication materials must be short and easy to understand. It also needs to be immediately apparent to the SME how they can progress RD&I ideas i.e. who do they contact? SMEs have limited resources and time to spend on research development so the system must be designed to be effective and efficient.

Strengthening Links- Building Relationships

The consultation document informs us that consultants analysed this area in August 2014 and highlighted a number of challenges. One such challenge is particularly relevant to SMEs:

“Strengthening collaborative linkages between firms and the higher education sector”

It is clear that a very low number of indigenous SMEs are approaching HEIs to discuss research projects and opportunities. It is arguably easier for SMEs who are clients of Enterprise Ireland to get relevant information and guidance in this area as Enterprise Ireland has the required knowledge and expertise. SMEs who are clients of LEOs rather than EI are reliant on their particular LEO having the relevant expertise to advise them and this is not always the case.

This could be improved upon by appointing an RD&I SME Ambassador to each institution. This ambassador would primarily aim to bridge the gap between the HEIs and SMEs. They would work to promote opportunities within the HEI for enterprise RD&I and would also act as a facilitator for any SME that approached them with an

idea. They would be the 'go to' person within the institution for SMEs who wish to discuss a RD&I idea. This would be helpful as SMEs who currently wish to speak to a HEI about a research proposal are not aware of who the most appropriate point of contact is. If HEIs are serious about engaging the SME community they need to assign a dedicated person to this role.

An added benefit of appointing an RD&I SME Ambassador to each HEI is that the Ambassador would build relationships within the SME community which would allow him/her a better understanding of how to meet the needs of SMEs. This would allow the HEI to improve their systems and processes to better work with SME owner managers.

Innovation of the development of new Processes and Services

When people think of R&D they usually think of the four main R&D sectors; chemical, computers and electronics, medical devices and pharmaceuticals and computer programming. They often do not realise that RD&I is not limited to technological research and developments. It can also include the development of new processes and services as well as innovation in organisational models. Developments in these areas could benefit a large number of SMEs in a wide variety of sectors. However, it is vitally important that the enterprise community is made aware of this area of RD&I and encouraged to engage with it.

In order to develop new processes, services and models it is essential that HEIs work closely with industry. Academics cannot possibly understand the intricacies of organisational models and processes and their inherent strengths and weaknesses without consulting those who are most familiar with them i.e. the businesses who operate them.

The Services and Business Processes Advisory Group is sure to make progress with regards to this area but the group appears to lack any SME focus. Enterprise Ireland are listed as members of the groups but not LEOs and many of the grants and projects outlined are in relation to Enterprise Ireland clients. However, not all businesses are eligible to belong to Enterprise Ireland. Many small, non-exporting

businesses could potentially benefit from innovation in this area and this should at least be actively considered by the group.

Collaboration Supports

In order to encourage SMEs to collaborate with research institutions such collaboration must be incentivised adequately. The innovation vouchers scheme which is designed to facilitate and encourage enterprises to engage in research and development by availing of the services available from research institutions must be better promoted to SMEs. ISME aims to keep its members informed of such schemes but SMEs who do not belong to a business representative organisation are often unaware of Government supports available to them. This is changing with the launch of the SME online tool but more could be done to further increase awareness of innovation vouchers in particular and also to communicate the message that they are not just for those in sectors traditionally associated with RD&I.

The existence and opportunity for research Partnerships must also be promoted to SMEs. ISME suggests highlighting case studies of SMEs who have engaged in and benefitted from research partnerships. Real life stories of business success always resonate more effectively with owner managers than simple explanations of schemes and processes. It would also be beneficial to commence a targeted approach to involving SMEs in these partnerships. By actively ensuring that SMEs are involved it will help to change the perception that RD&I is not for SMEs.

Realising Commercial Potential- A 'Bottom-Up' Approach

In order for SMEs to fully engage with the SME process there must be opportunities for a 'bottom-up' approach. This means that the ideas that are considered and progressed can come from small businesses rather than being generated by academia and then passed on. The Commercialisation Fund which allows researchers to take research outputs with commercial potential and bring them to a point where they can be transferred to industry should primarily focus on progressing research ideas which were first suggested by industry. This would ensure that the funding was going towards progressing innovation that is actually needed within

businesses and will help them to grow and create jobs. As stated previously, only those working within a particular business and industry can understand what it needs to be successful.