

Market Research Report

Work Package 4: “SMEs Qualifying for Research” Tool ‘TransCoSME’ Project

A. INTRODUCTION

This report presents the findings of the Market Research implemented in the framework of the 4th Work Package: “SMEs Qualifying for Research” Tool of the ‘TransCoSME’ project.

1. The ‘TransCoSME’ project

The “**Transnational Cooperation of the European Network of SME NCP**” (“TransCoSME”) project aims at the support of the European network of National Contact Points (NCPs) for the Small and Medium size Enterprises (SME) specific measures of the 7th Framework Programme for Research and Technological Development of European Commission (FP7) in their activities **to promote and support the participation of SMEs in proposals of FP7.**

The objectives of TransCoSME are:

- to train the SME NCPs,
- to support them in order to increase the efficiency of their work,
- to enhance the networking between them,

in order to deliver better quality of services to the European SMEs.

These goals will be achieved by training measures and by setting up tools which will help SME NCPs during their daily work in identifying innovative SMEs over partner search to proposal writing.

2. Work Package 4: “SMEs Qualifying for Research” Tool

Rationale:

The main obstacles that undermine the duties of SME NCPs in various European regions are:

- the lack of research culture in SMEs,
- SME’s great hesitation to participate in research activities,

- SME's difficulty in considering research as a way to increase competitiveness.

This issue generates the need for increased efforts on behalf of SME NCPs in carrying out their duties, especially at the stage of the promotion of FP7 and the encouragement of the SME's participation in FP7 actions.

The encouragement of SME's participation in FP7 is much more difficult than the encouragement of research organisations, which are more familiar with the research funding mechanisms and programmes. The vast majority of SMEs, must first of all identify the benefits that can emerge from research and then see themselves as possible members of a research consortium and recipient of research funding.

The Objective:

This Work Package (WP) aims at supporting the activities of SME NCPs by developing a pan-European promotional tool that will support their efforts to inform and encourage the SMEs to participate in FP7, especially in the SME-targeted actions (but also in the other FP7 Programmes in the case of research-intensive companies).

The Final Tool:

The development of "SMEs Qualifying for Research" tool will be based on the philosophy of a simplified check list / questionnaire directed to SMEs, with stimulating questions, self-explainable interpretation of answers and straightforward suggestions regarding possibilities for participation in FP7 research programmes.

The selection of questions and their categorisation will be made based on a careful identification of the main issues that seem to act as motivators or drivers for SMEs to participate in research projects.

Furthermore, the questions will be composed in a simplified way, stimulating the readers' interest and encouraging answers that will lead to a suggestion like "yes, your company could become one of the privileged companies benefiting from the SME programmes of FP7". Furthermore, the questions will indirectly prop up the benefits that can emerge for an SME through research activities.

The tool will be made available in paper and electronic form.

B. THE MARKET RESEARCH

1. Objectives

The Market Research was conducted in the framework of the Task 4.1 of the 4th Work Package: “SMEs Qualifying for Research” Tool of the ‘TransCoSME’ project in order to identify:

- the main motivators for SMEs to participate in research activities and particularly in 7th Framework Programme for Research and Technological Development of European Commission (FP7),
- the main characteristics of SMEs which participated successfully in research activities,
- the main reasons of the SMEs which had not participated in research activities and particularly in FP7.

The results of the market research will be used as the basis for the development of the promotional “SMEs Qualifying for Research” Tool, aiming at the encouragement of the participation of European SMEs in FP7.

2. The Questionnaire

The first step for the implementation of the market research was the design of the questionnaire (appendix I). A draft version of the questionnaire was distributed for comments to all WP4 participants and to the project’s Steering Committee on 13 June 2008. The final questionnaire was made available to WP4 Task Force on 13 October 2009, after taking into consideration all comments received.

The questionnaire was designed and finalised taking into consideration:

- a. The objectives of the Market Research and of the “SMEs Qualifying for Research” Tool.
- b. The fact that collecting complete questionnaires especially from SMEs is not the easiest task to achieve, therefore it should be as simple and quick as possible.

Only closed questions were included (simple check answers). Therefore, it was very important, that all possible answers were included in the questionnaire.

Finally, SMEs were given the opportunity to complete and send it back by hand, e-mail or fax.

It consisted of 27 questions divided in 5 different sections:

- I. Contact Details
- II. Sector
- III. Personnel and Financial Status
- IV. Objectives and Characteristics of the Company
- V. Research Activities

3. Targets

The following targets were set before the launch of the Market Research:

- Target Group: Small and Medium size Enterprises (SMEs) including Research Performing and Research Acquiring SMEs as well as SME Associations.
- Target number of collected questionnaires per country: 30 (4 countries)
- Target total number of collected questionnaires: 120 questionnaires

4. Implementation of the Survey

The implementation of the survey started on the 13th of October 2009 and the deadline was originally set on the 21st of November. However, following the request of the involved partners, the implementation was extended up to the end of January 2009.

The survey was implemented in five countries: Cyprus (as a New Member State), the Netherlands (as an EU Founding Member), Croatia (as a Candidate Country) and Norway (as an Associate Country). Bulgaria participated voluntarily in the Survey.

Finally, 150 complete questionnaires were collected:

Country	Number of Collected Questionnaires
Cyprus	30
The Netherlands	86
Croatia	3
Norway	23
Bulgaria	8
Total:	150

C. THE SURVEY'S FINDINGS

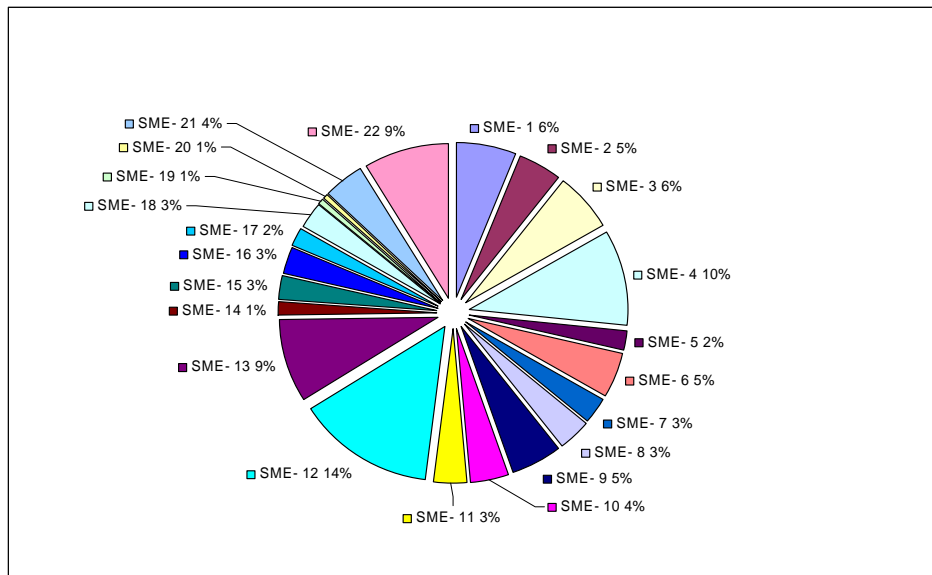
All the questions included in the questionnaire and the responses to them are presented in the following graphs.

In some cases however, further analysis was required in order to extract concrete conclusions. In those cases the analysis was performed based on the assumption that the SMEs spending more than 10% of their turnover in research activities are considered as research oriented (performing) and the rest of them are considered as research acquiring SMEs.

I. Contact Details:

The first section of the questionnaire was dedicated to the Contact Details of the company and of the person answering the questionnaire.

II. Sector:



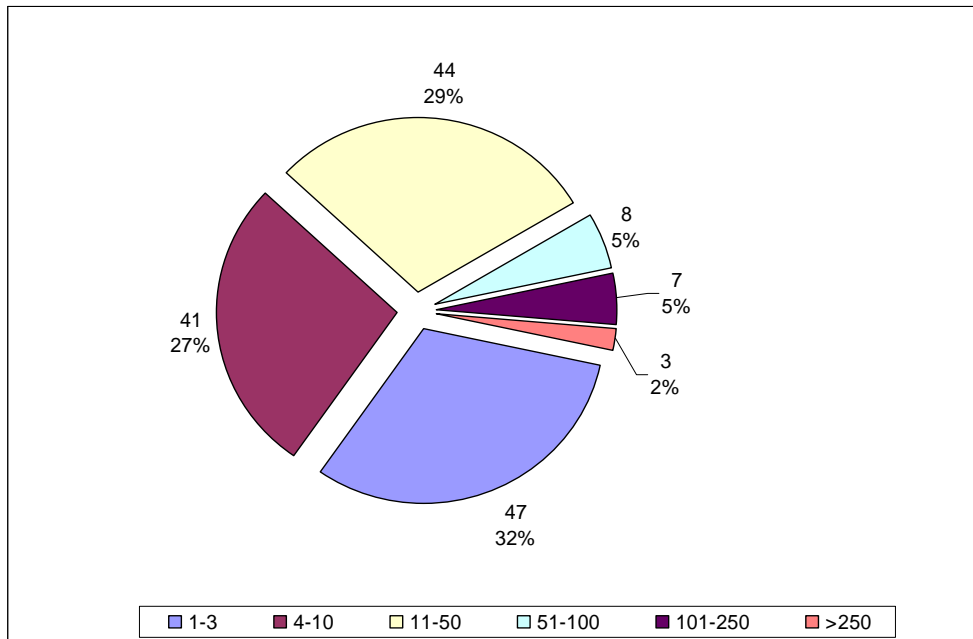
SME-1 Aeronautics / Aerospace
 SME-2 Agriculture / Forestry
 SME-3 Aquaculture / Fisheries / Marine Technologies
 SME-4 Biotechnologies / Genomics
 SME-5 Chemical / Petrochemical
 SME-6 Construction / Building
 SME-7 Electronics / Electrical Industry
 SME-8 Energy
 SME-9 Environment / Waste
 SME-10 Food
 SME-11 Health care

SME-12 Information and Communication Technologies
 SME-13 Machinery / Instruments / Sensors
 SME-14 Management Sciences
 SME-15 Materials processing
 SME-16 Measurements / Testing
 SME-17 Medical / Biomedical equipment
 SME-18 Nanotechnologies
 SME-19 Security
 SME-20 Textile / Leather / Wood
 SME-21 Transport
 SME-22 no sector clearly identified

- ⇒ There was a very good distribution of responses along all different SME sectors (sector classification used by the European Commission for the 'Research for the Benefit of SMEs' Activity).
- ⇒ It cannot be concluded that there is any real connection between the SME's sectors and their participation in FP7 or performance in research activities.

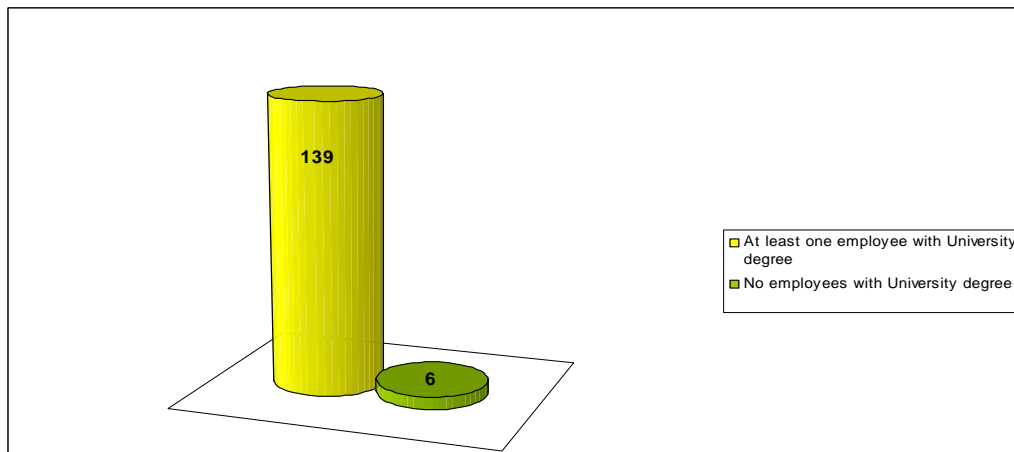
III. Personnel and Financial Status:

1. Total number of employees:



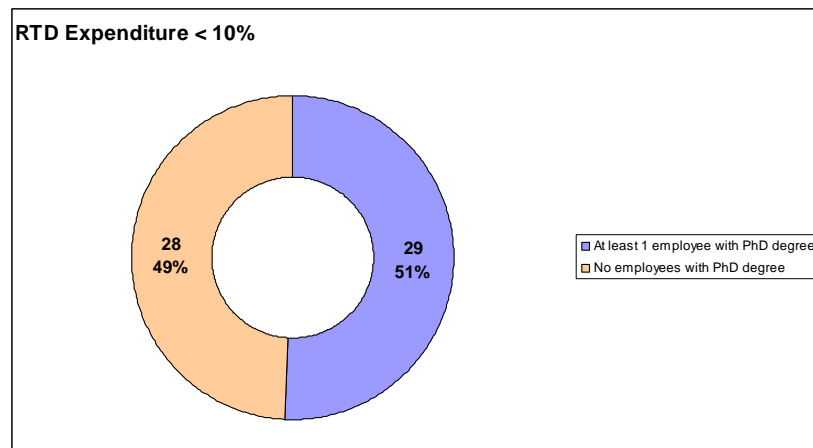
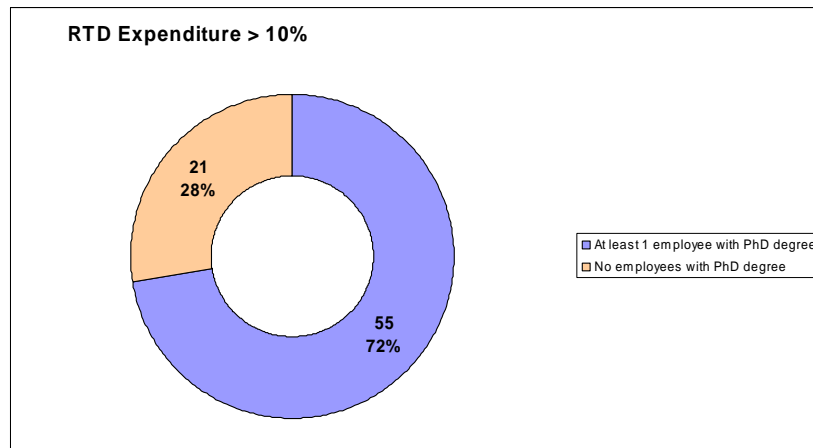
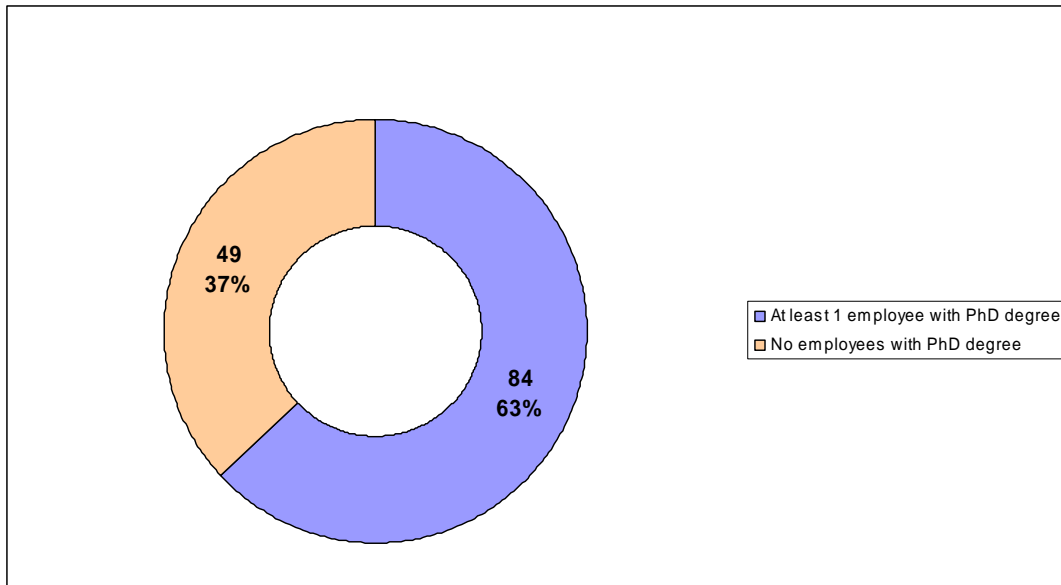
- ⇒ The sample of the survey reflects more or less the size distribution of the Enterprises in European Union.
- ⇒ Almost 60% of the responded Enterprises are Micro Companies.
- ⇒ Three (3) Large Enterprises (more than 250 employees) responded to the questionnaire. Their responses are excluded from the analysis that follows.

2. Number of employees with university degree:



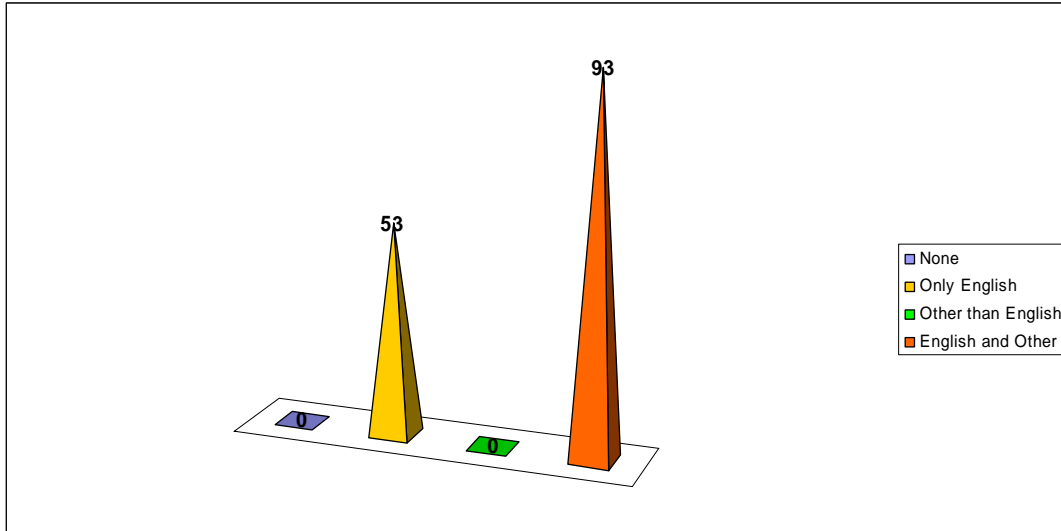
- ⇒ The vast majority of the SMEs participating in the survey employ at least one University Graduate. This is a very important factor for an enterprise in order to participate successfully in research activities.
- ➔ A similar question can be included in the final tool. In most of the cases the answer will be Yes, thus stimulating the interest of the SMEs to participate in European research activities.

3. Number of employees with PhD degree:



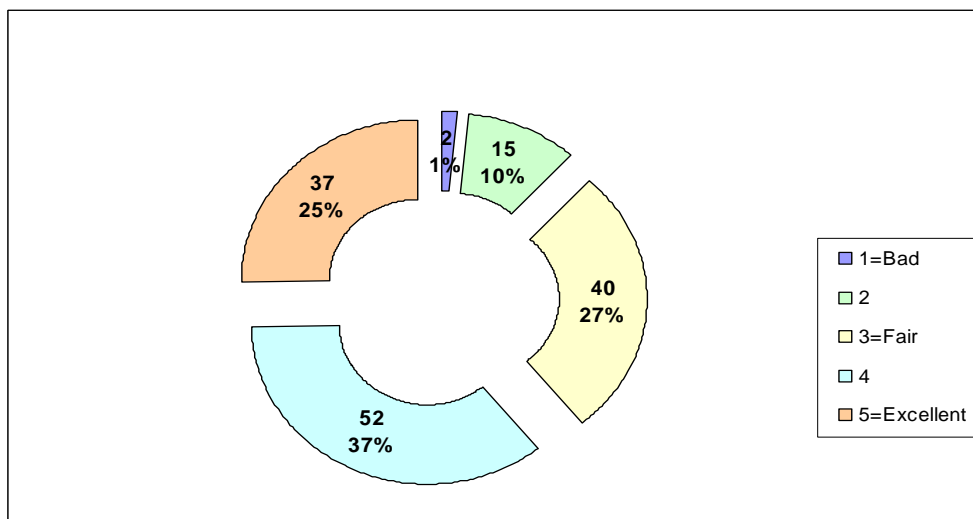
- ⇒ A very high percentage of the SMEs that responded to the questionnaire employ researchers, not representing the real life situation.
- ⇒ From the graphs it can be concluded that the research performing SMEs are more likely to employ at least one employee with PhD degree, although the respective percentage of the Research Acquiring SMEs is also (unexpectedly) very high (50%).
- ➡ A possible question in the Final Tool in order to distinguish the Research Performing from the Research Acquiring SMEs

4. Knowledge of foreign language in the company:



- ⇒ It has to be noted that the questionnaire was distributed only in English in all participated countries; therefore, concrete conclusions cannot be extracted from this question.
- ⇒ Nevertheless, although in reality not all the European companies speak a foreign language, it is a very important factor in order to participate in and to communicate within a consortium of a European research project.
- ➡ A similar question should be included in the final tool because:
 - i. of the high importance of the knowledge of a foreign language,
 - ii. in most of the cases the answer will be Yes and it will work as a stimulating question.

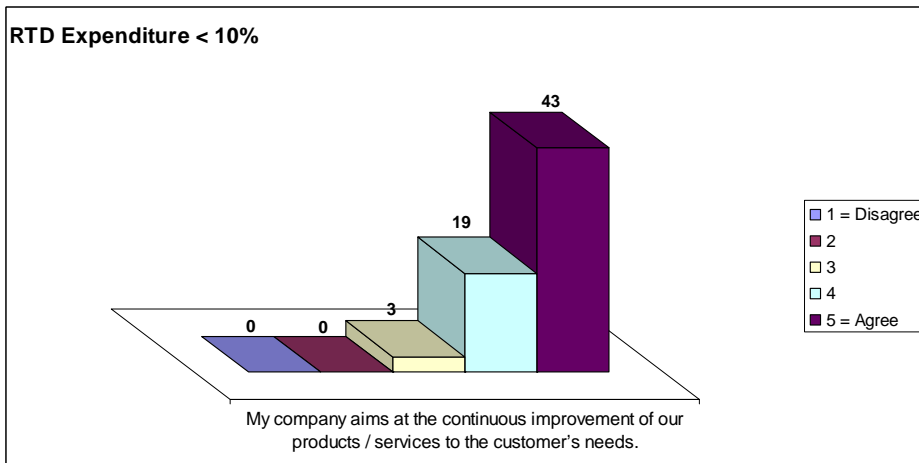
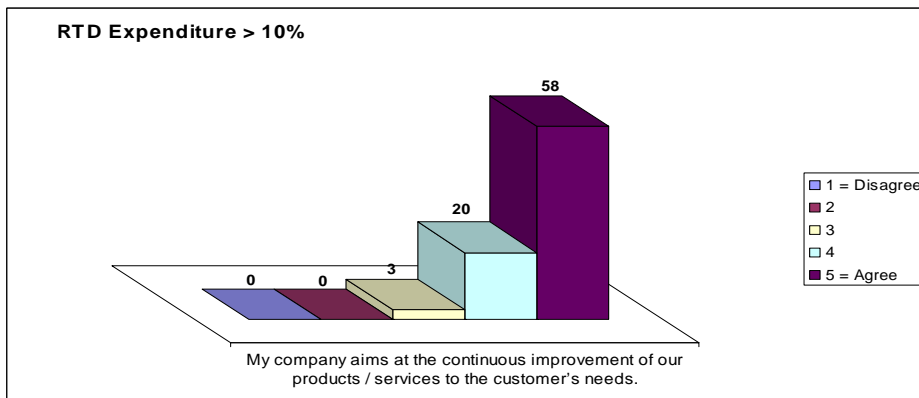
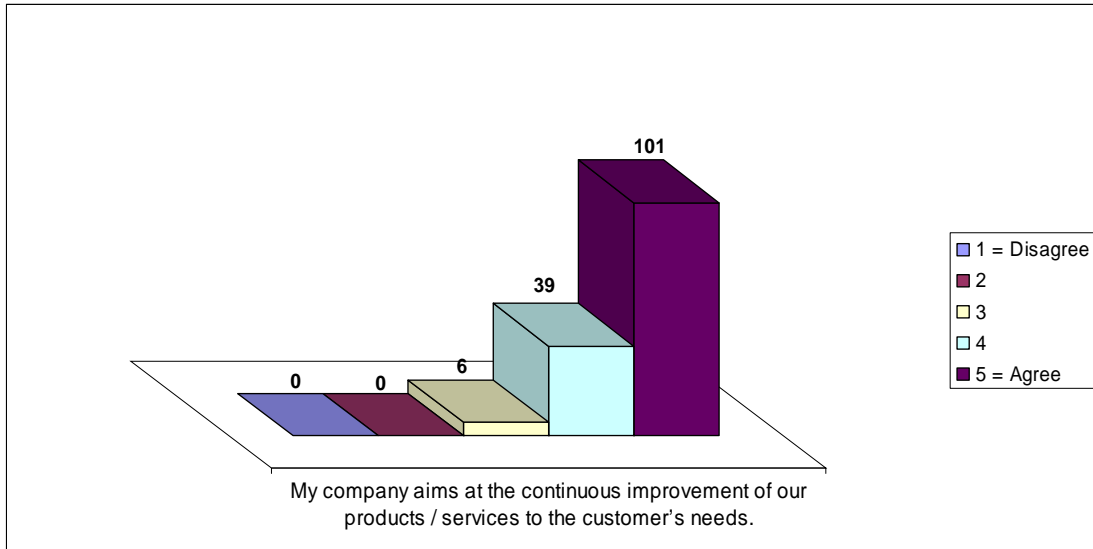
5. The financial status of the company can be considered as:



- ⇒ This view is almost the same for both Research Acquiring and Performing SMEs. There is no clear connection between the financial status and the participation of the SMEs in research activities.

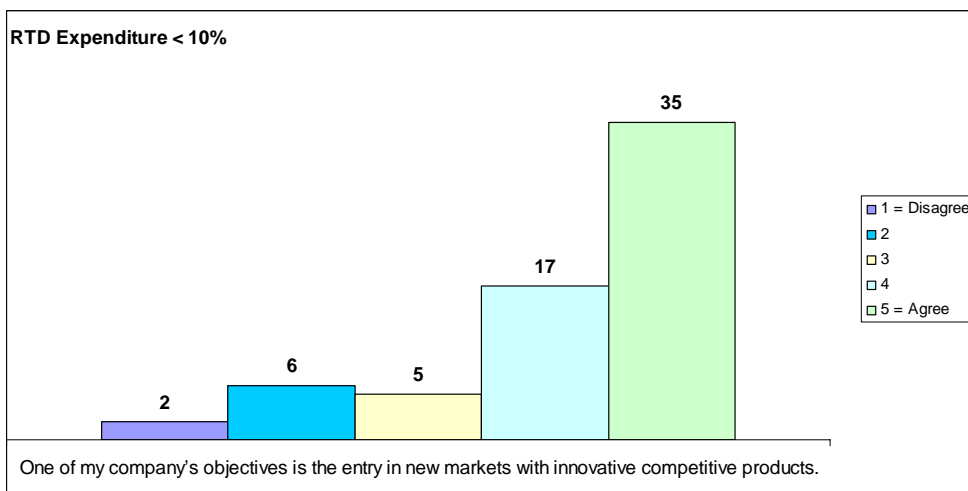
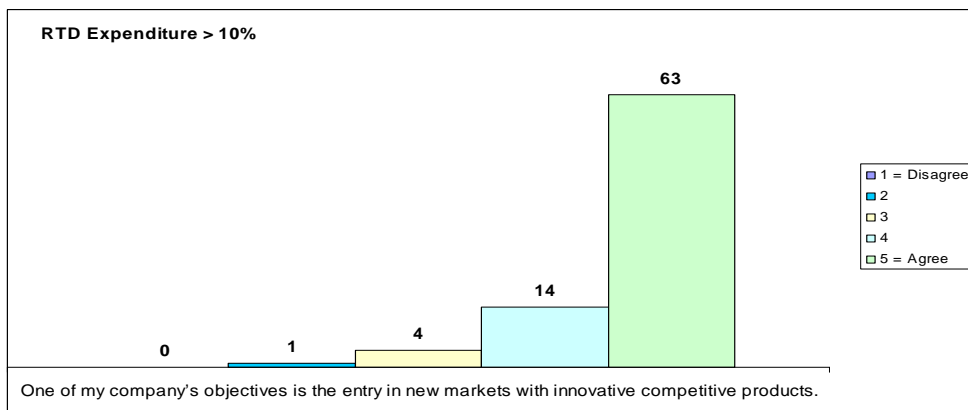
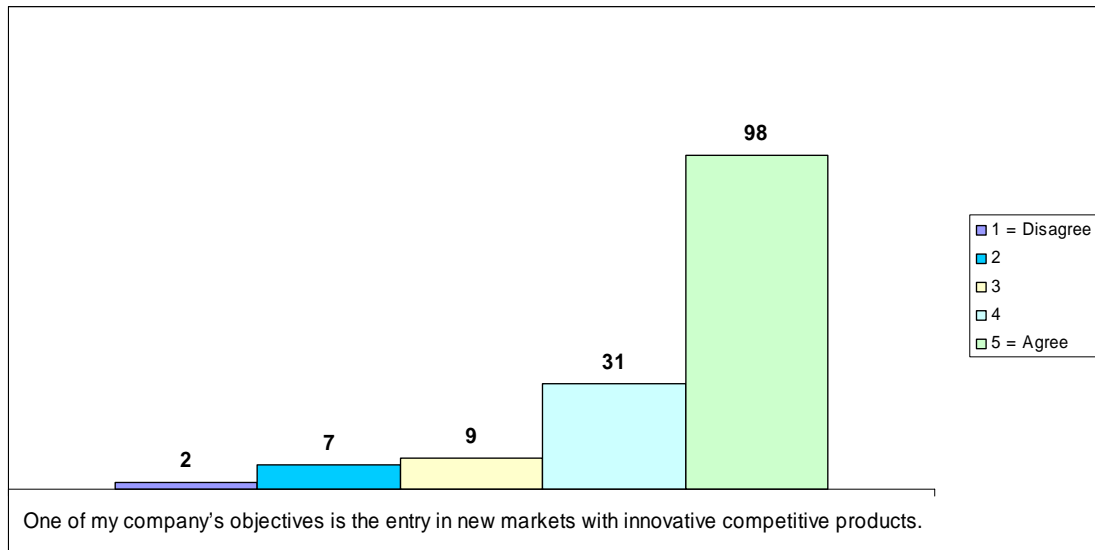
IV. Objectives and Characteristics of the Company:

6. My company aims at the continuous improvement of our products / services to the customer's needs.



- ⇒ No negative answer.
- ⇒ Very similar reaction between the two SME's categories.
- ➔ A leading question to be included in the final tool. It implies that Research Activities support the SMEs to improve their products and services.

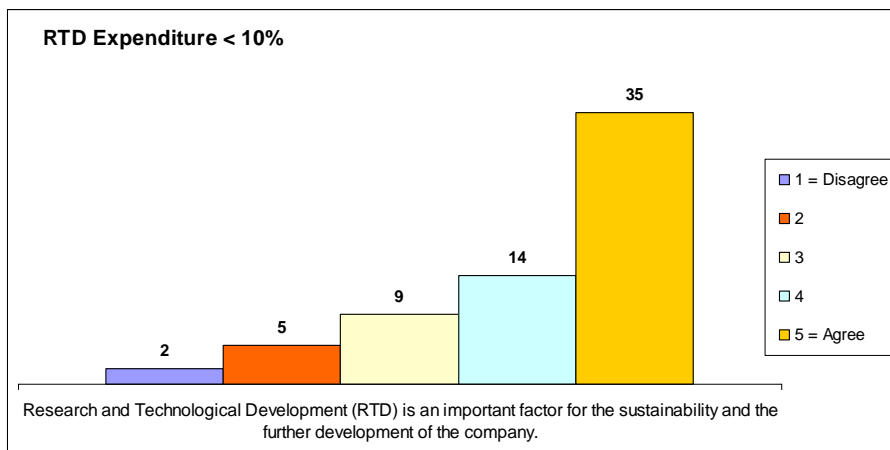
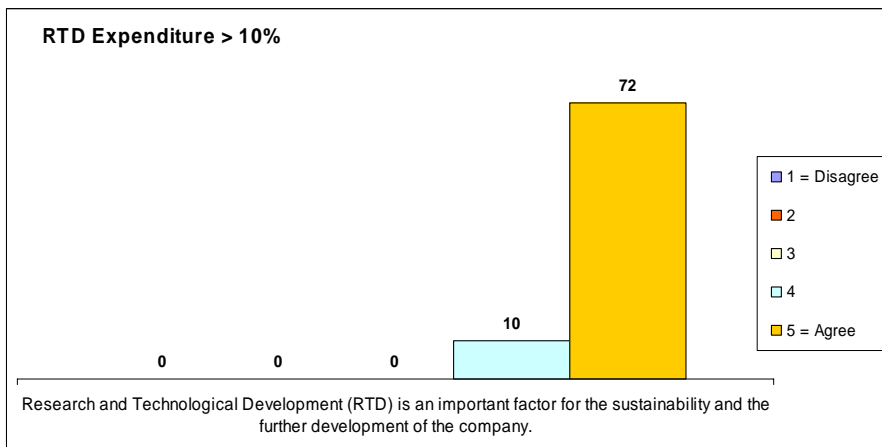
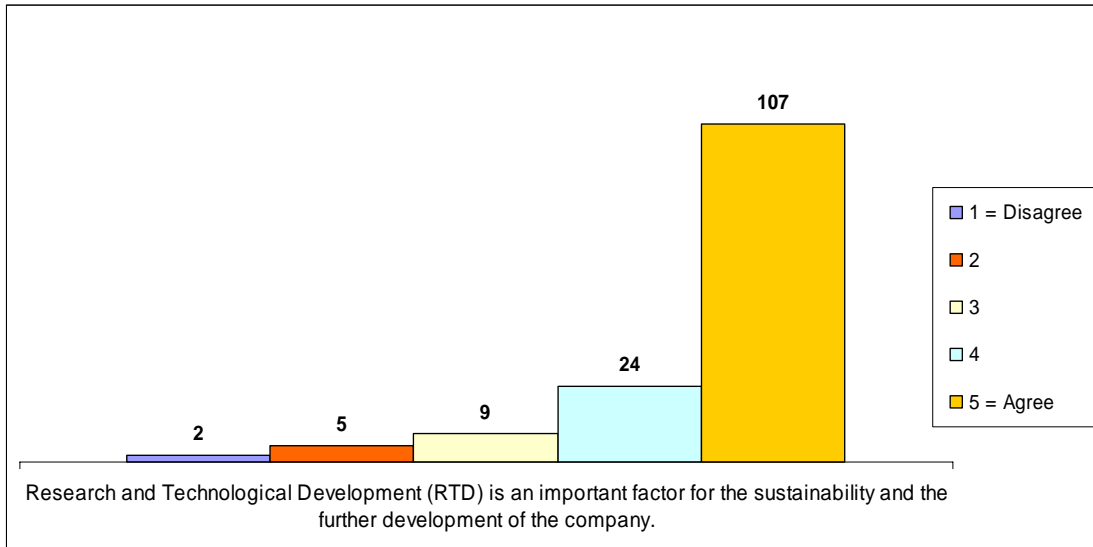
7. One of my company's objectives is the entry in new markets with innovative competitive products.



⇒ Similar question with the previous one, but with slightly different reaction between the two questions and the two categories: The RTD Performers are more positive while the RTD Receivers are more negative than in the previous question.

➡ A leading question as the previous one that could be included in the Final Tool either alone or in combination with the previous one.

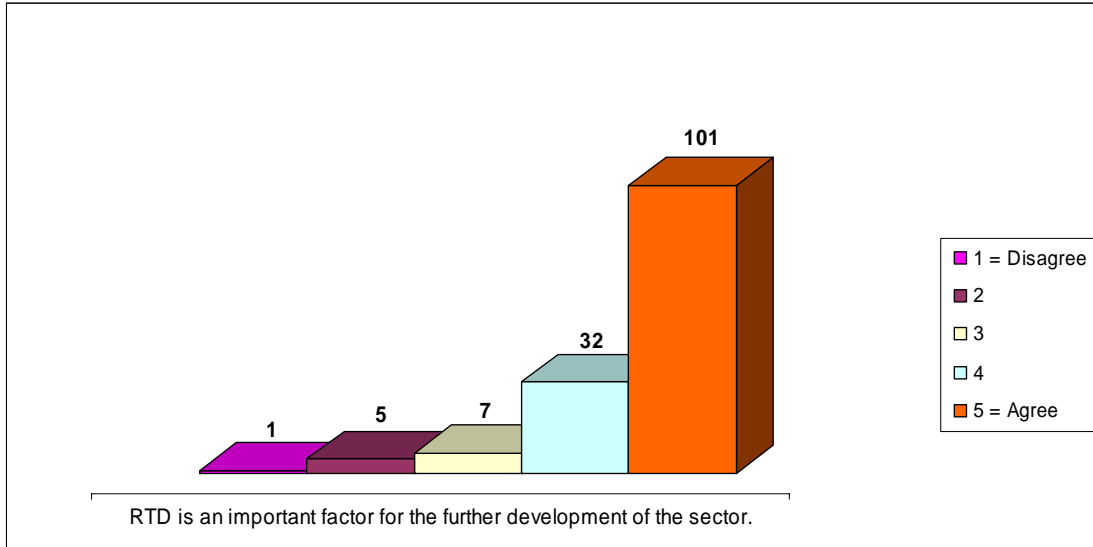
8. Research and Technological Development (RTD) is an important factor for the sustainability and the further development of the company.



⇒ All the Research Performing SMEs agree that RTD is very important for their sustainability. On the other hand, only 25% of the Research Acquiring SMEs disagree with this statement.

➡ Important question. If a company does not agree on the importance of conducting research, there is no need to participate in research activities.

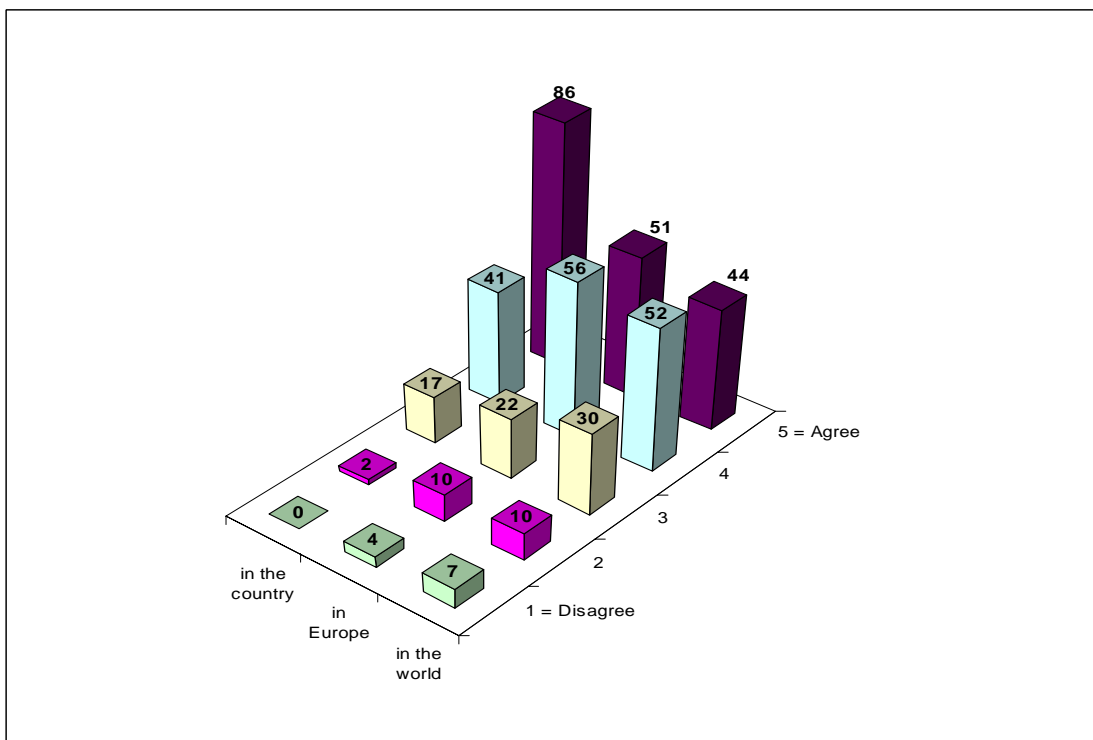
9. RTD is an important factor for the further development of the sector.

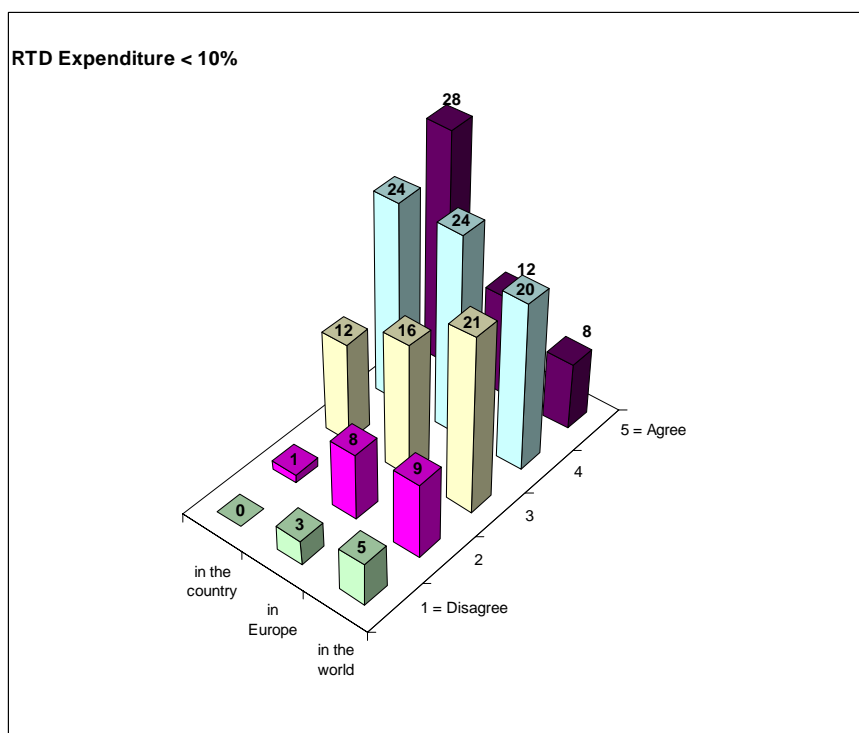
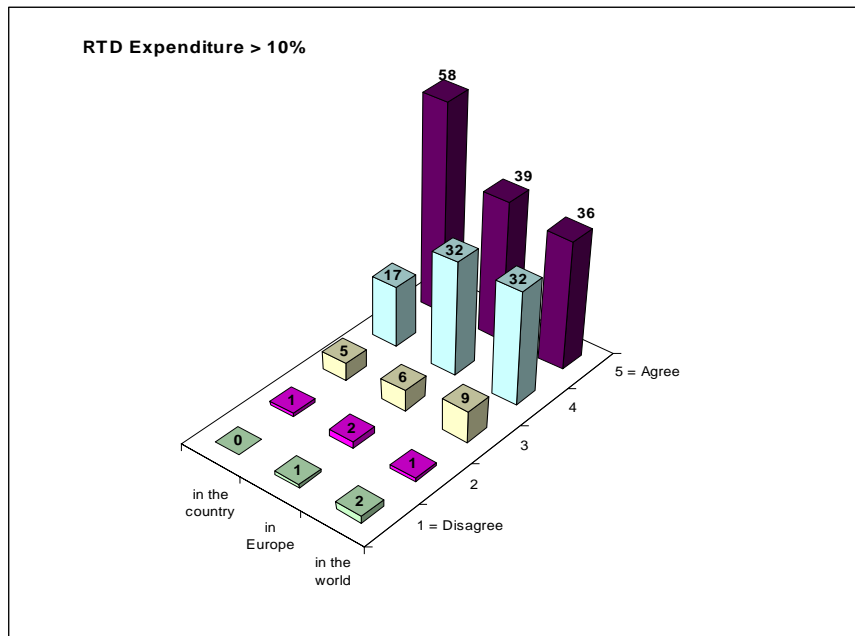


⇒ The number of negative responses, among the Research Acquiring SMEs is bigger than the previous question.

10. I consider my company's production methods and technologies innovative compared to the competitors:

- a. in the country
- b. in Europe
- c. in the world

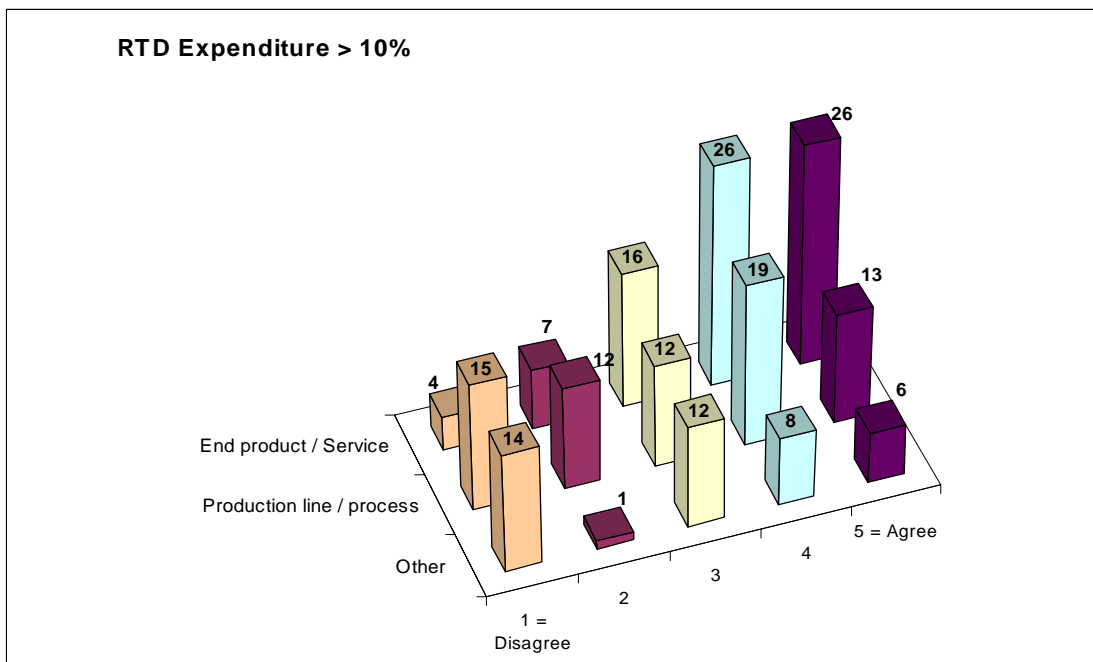
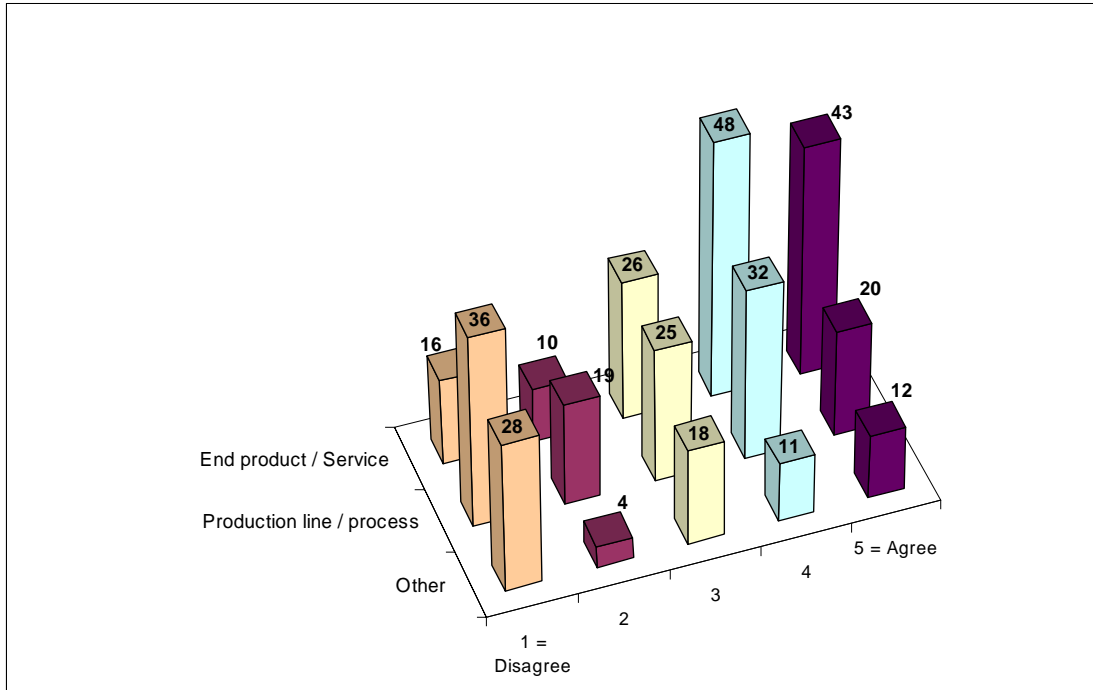


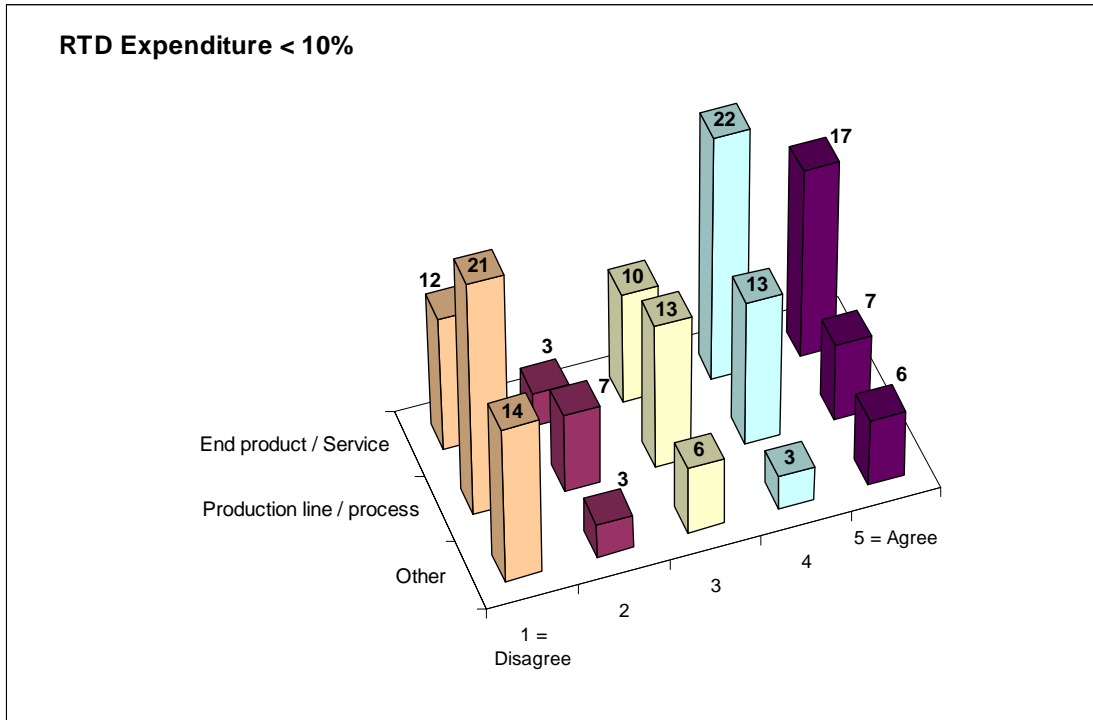


- ⇒ Both SME's categories consider themselves being more innovative comparing to the competitors in their own country.
- ⇒ The differentiation of the Research Performing SMEs and Research Acquiring SMEs appears when they are asked to compare themselves with their competitors abroad. The Research Performers are much more confident that their products and services are more competitive than the others in the rest of Europe and in the World.
- ➡ The specific SME measures of FP7 are targeting exactly the Innovative SMEs with no or low research capacity. A similar question should be included in the Final Tool in order to identify those companies that do not have the capacity to participate in any FP7 programmes.

11. My company would appreciate the assistance of experienced research organizations, in order to solve a specific issue related to or to develop a new:

- a. End product / service
- b. Production line / process
- c. Other

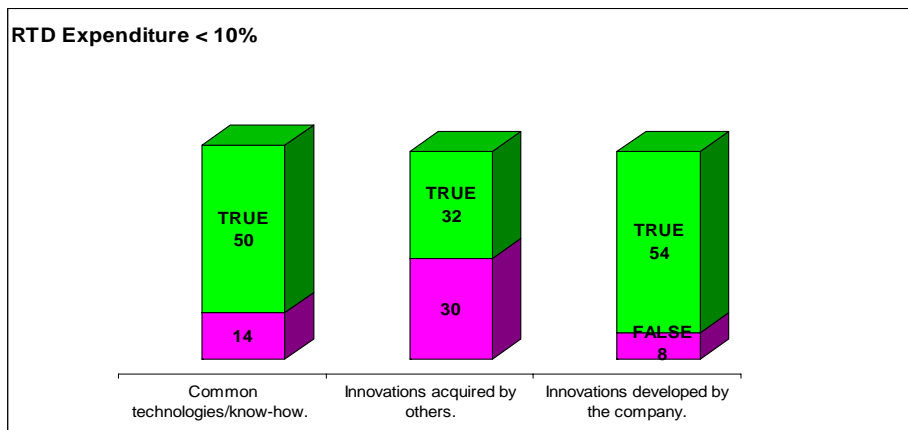
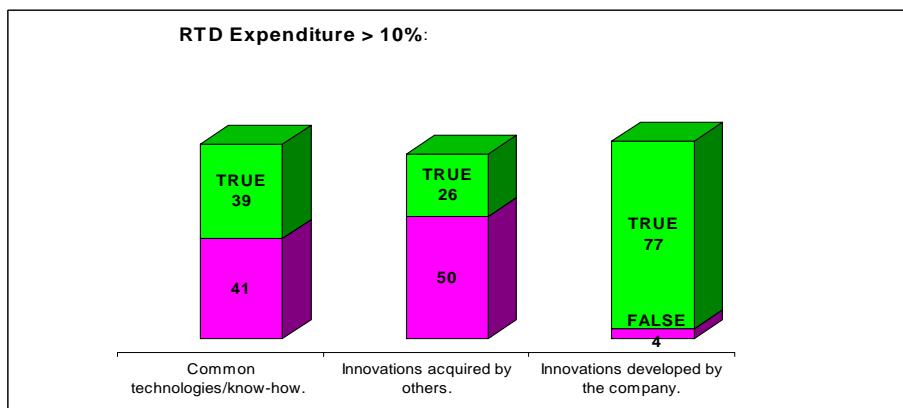
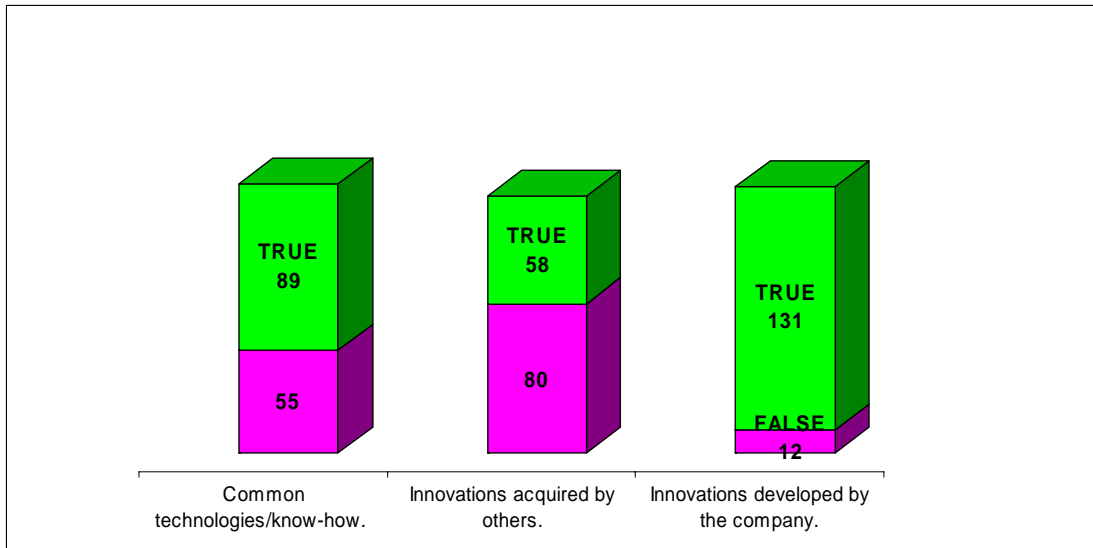




- ⇒ This question addresses another main objective of the FP7 SME's specific measures i.e. the SMEs to become more competitive with the assistance of research organisations.
- ⇒ It can be concluded that the Research Performing SMEs appreciate the assistance of a research organisation more than the Research Acquiring SMEs which do not have the appropriate capacity to perform research by their own.
- ⇒ Both categories have higher interest in developing a new product or service rather to improve their processes.
- ➡ It is a very important question since:
 - i. If an SME doesn't appreciate the assistance and the collaboration of a research organisation, there is no meaning in participating in any of the FP7 programmes.
 - ii. It implies that if an SME participates in European research projects, it will get assistance from experienced research organizations in order to improve its products and processes and to solve specific issues.

12. My company's processes and/or products are based on:

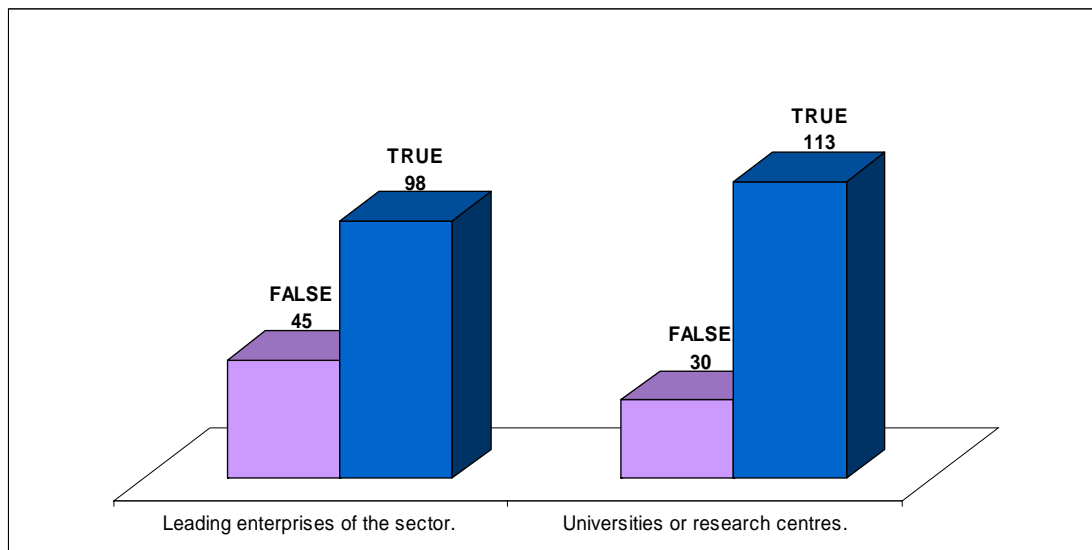
- **Common technologies/know-how.**
- **Innovations acquired by others.**
- **Innovations developed by the company.**



⇒ Another proof that both SME's categories consider themselves as innovative. The results of this question are in line with those of question no.10

13. My company collaborates with other local:

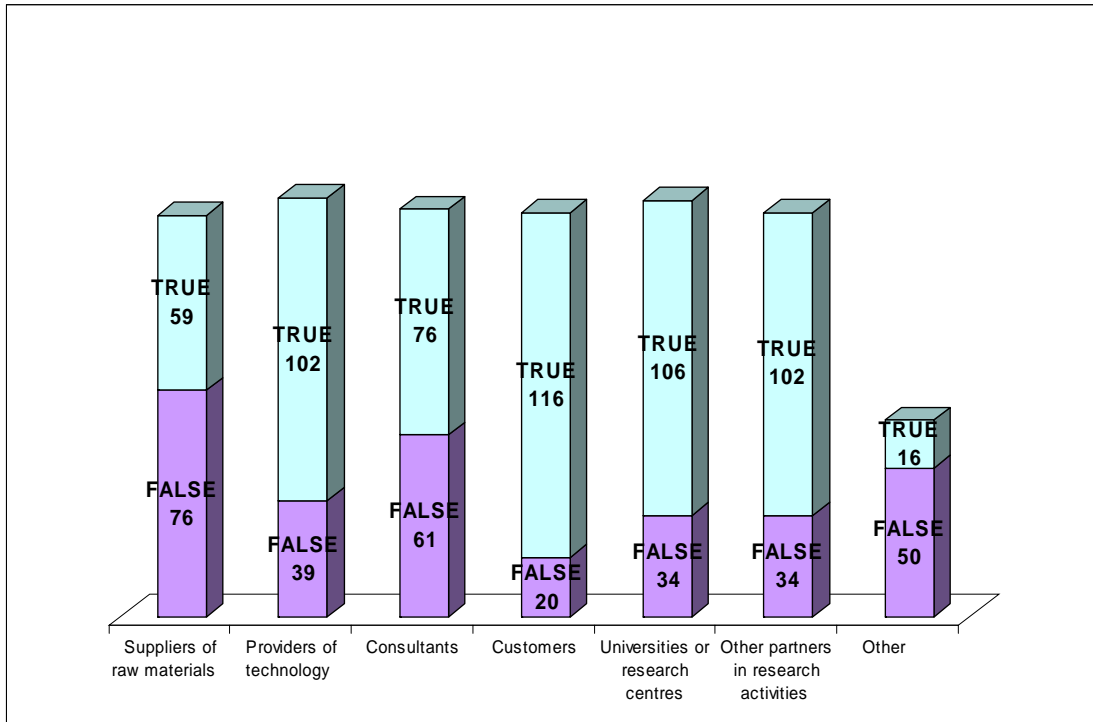
- **Leading enterprises of the sector.**
- **Universities or research centres.**



- ⇒ 5 of 82 Research Performing SMEs stated that they collaborate neither with other local leading enterprises nor with local research centres.
- ⇒ 11 of 65 Research Acquiring SMEs stated that they collaborate neither with other local leading enterprises nor with local research centres.

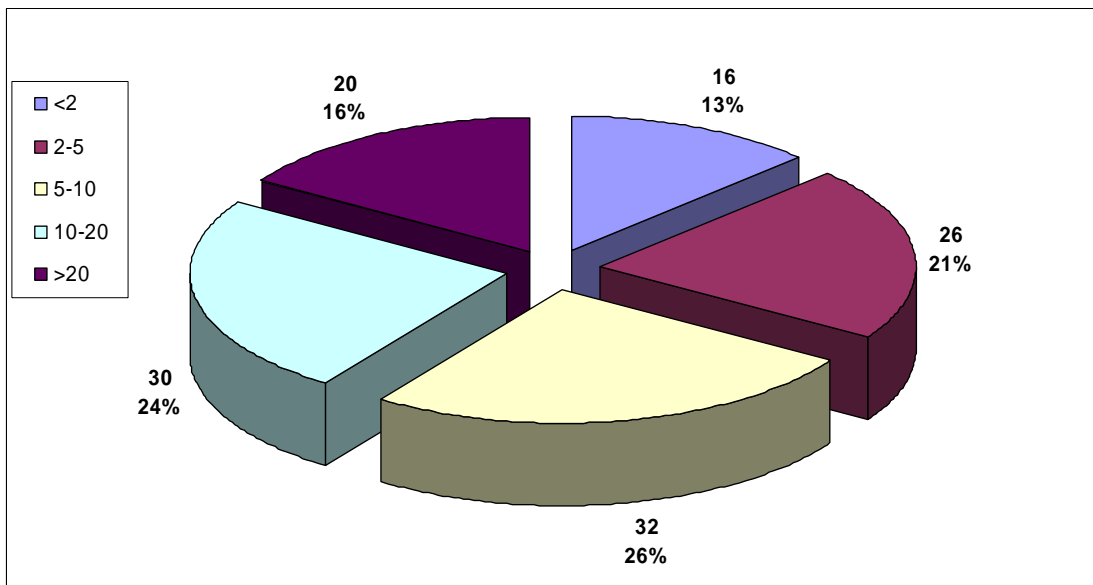
14. My company collaborates with foreign companies/organisations:

- **Suppliers of raw materials**
- **Providers of technology**
- **Consultants**
- **Customers**
- **Universities or research centres**
- **Other partners in research activities**
- **Other**



- ⇒ All Research Performing SMEs collaborate with foreign organisations
- ⇒ Only 2 Research Acquiring SMEs do not have any kind of collaboration with foreign organizations.

15. How many years ago was the company established?



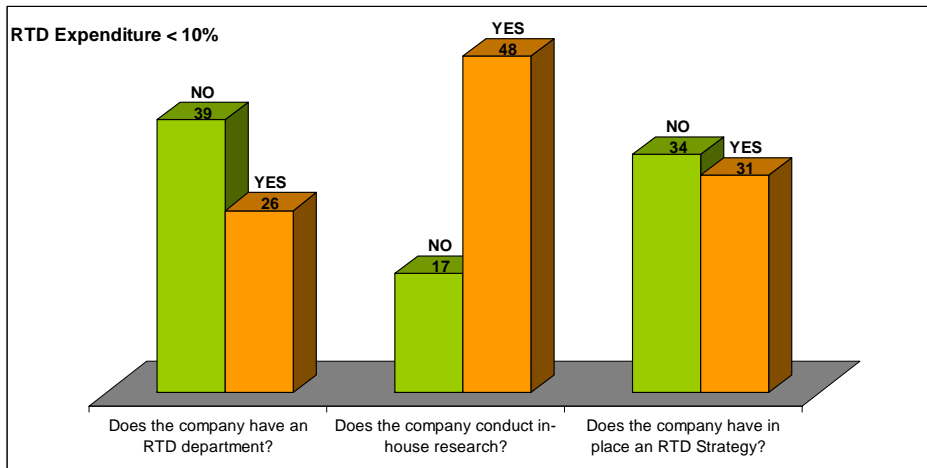
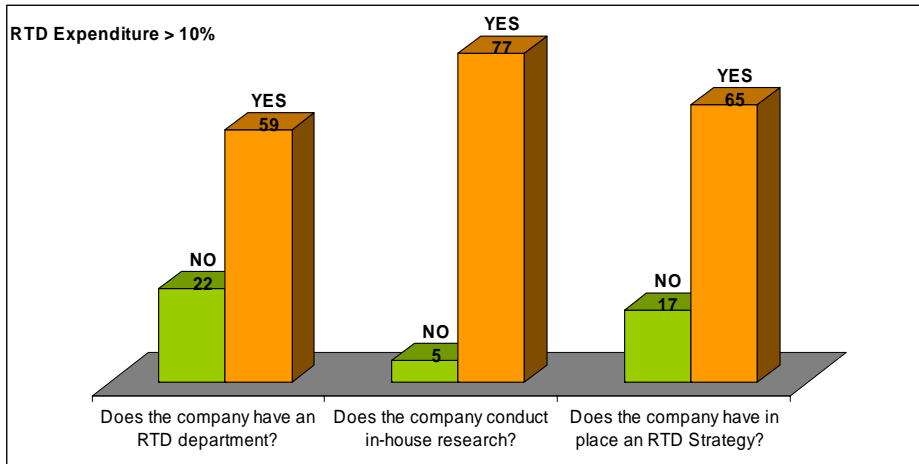
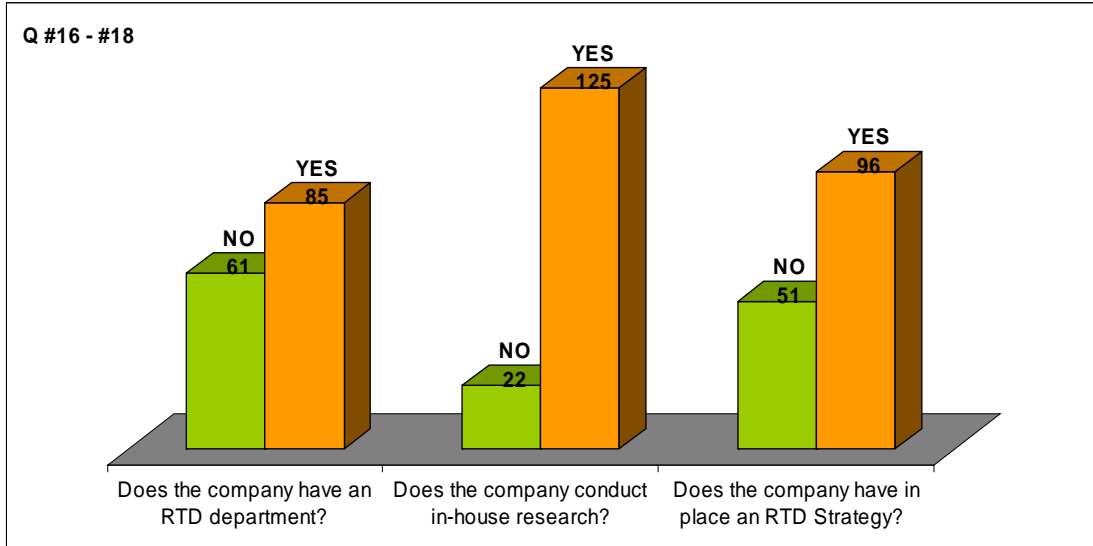
- ⇒ Very good distribution concerning the age of the companies.
- ⇒ The average age of the Research Acquiring SMEs is higher than the Research Performing SMEs.
- ⇒ There is no clear connection between the age of the company and its participation in research activities.

V. Research Activities:

16. Does the company have an RTD department?

17. Does the company conduct in-house research?

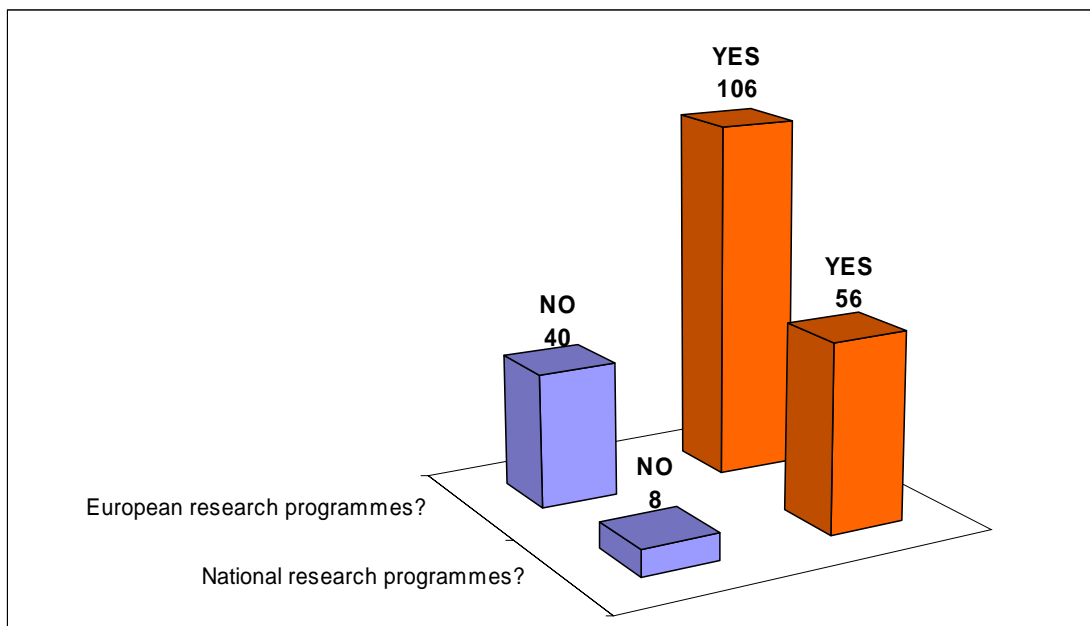
18. Does the company have in place an RTD Strategy?



- ⇒ It was expected that the differences among the two SME's categories would be more discrete. It cannot be strongly concluded for example that the companies spending more than 10% in RTD activities conduct in-house research while the others don't.
- ➡ A combination of the three questions could be included in the Final Tool in order to distinguish the Research Performing from the Research Acquiring SMEs

19. Do you consider that your company is informed about:

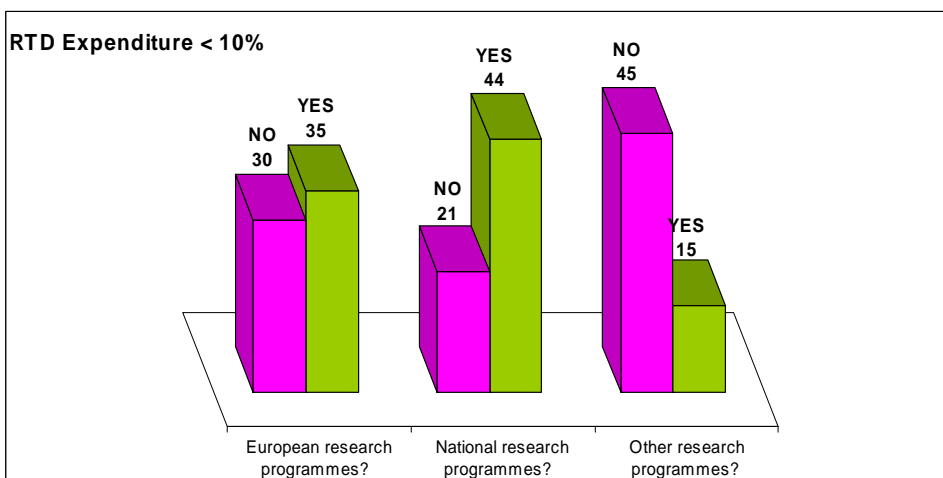
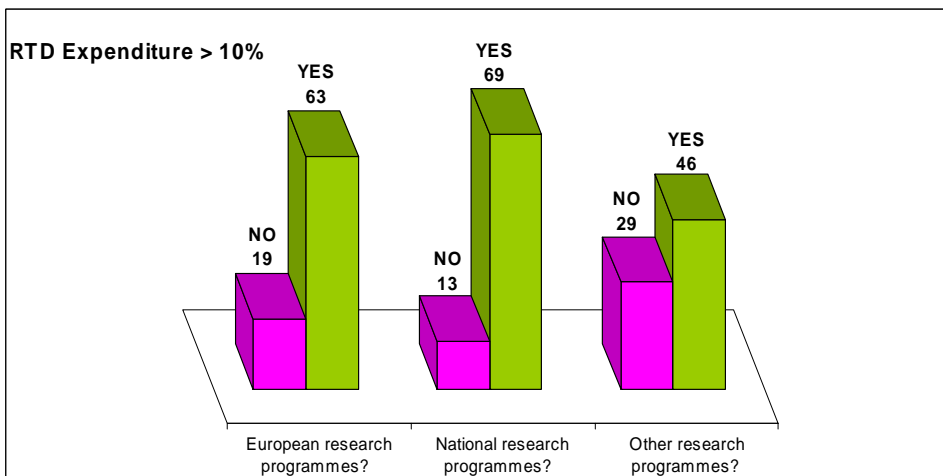
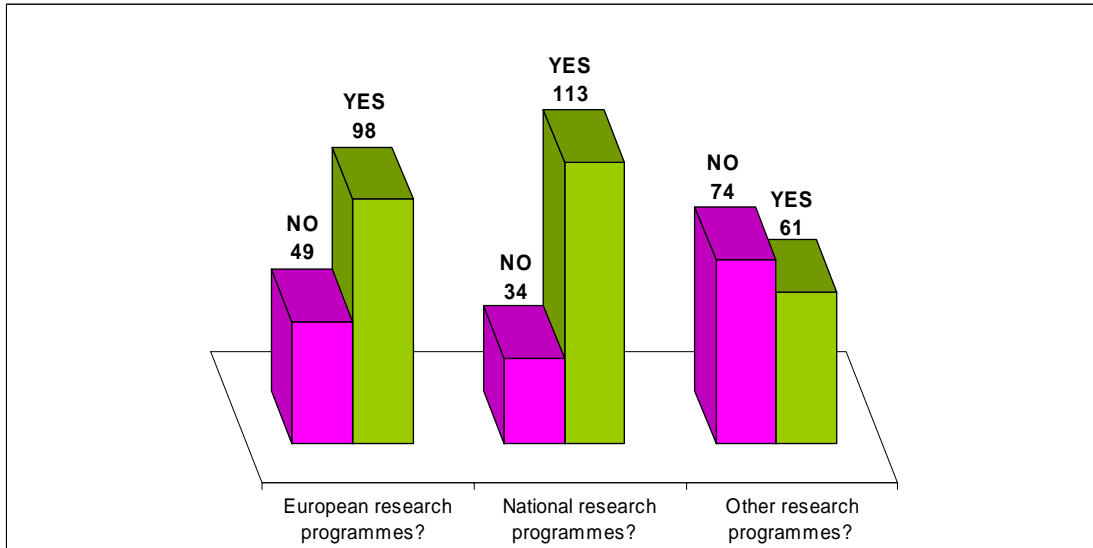
- **European research programmes?**
- **National research programmes?**



- ⇒ None of the responses received from the Netherlands (which count almost 60% of the survey's sample) answer the question regarding the National research programmes. This question was probably omitted from the questionnaire distributed in the country.
- ⇒ 77% of the Research Performing and 68% of the Research Acquiring SMEs stated that they are informed about European research programmes.

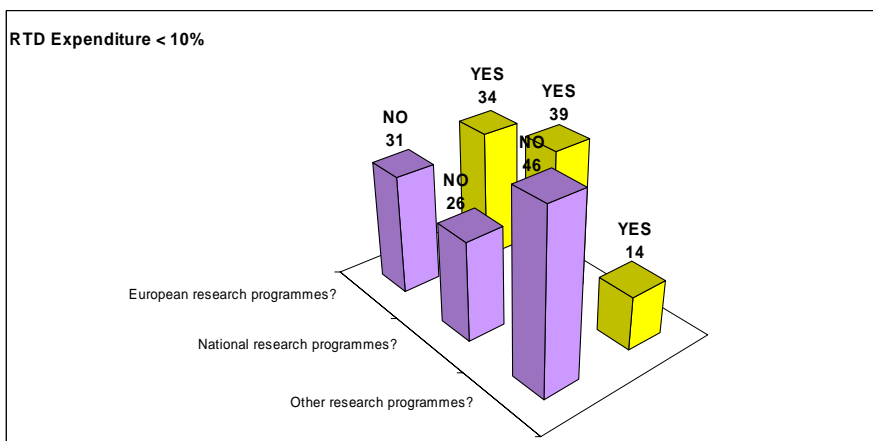
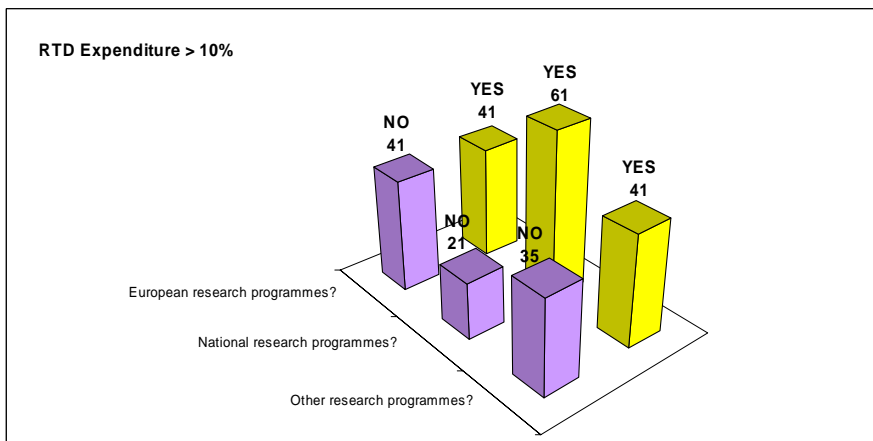
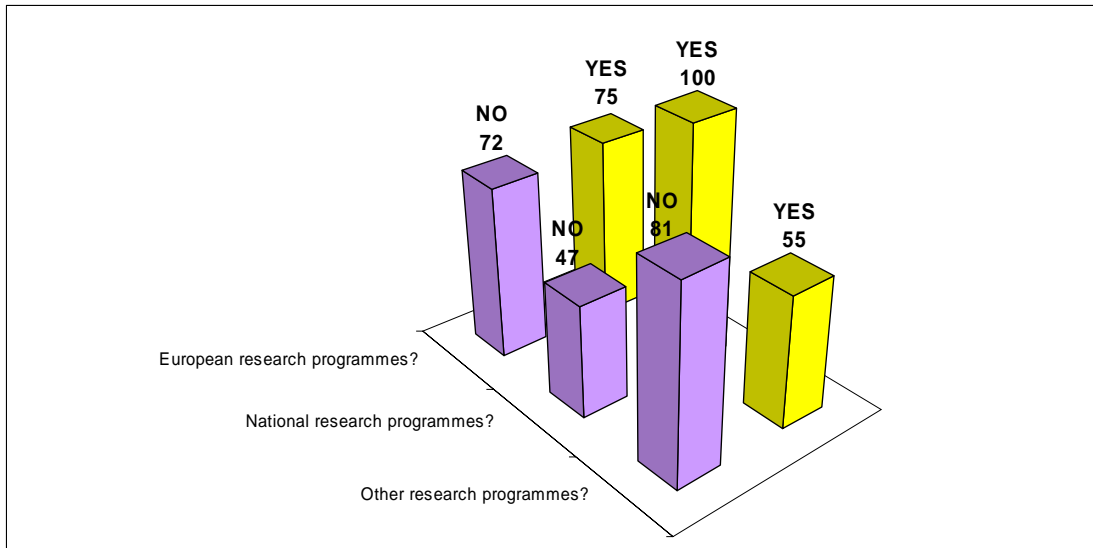
20. Has the company ever participated in proposals of:

- **European research programmes?**
- **National research programmes?**
- **Other research programmes?**



21. Has the company ever participated in projects of:

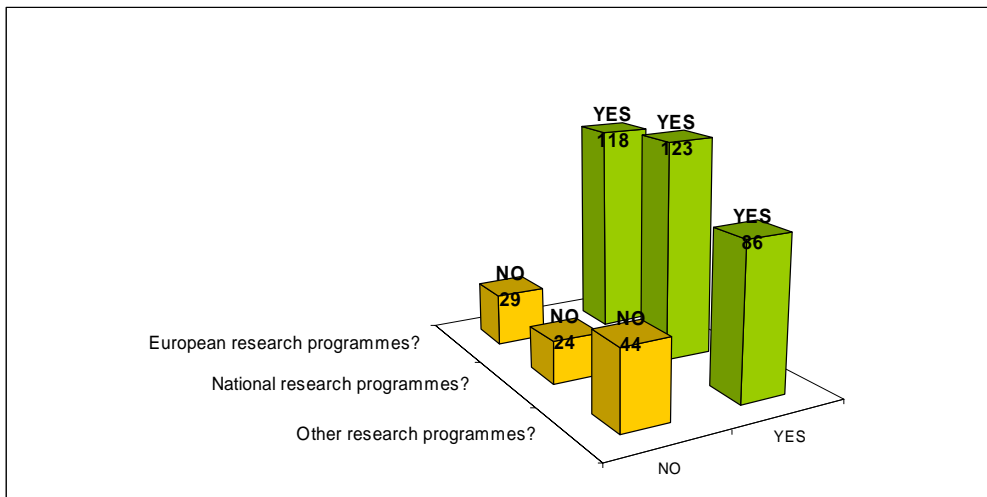
- European research programmes?
- National research programmes?
- Other research programmes?



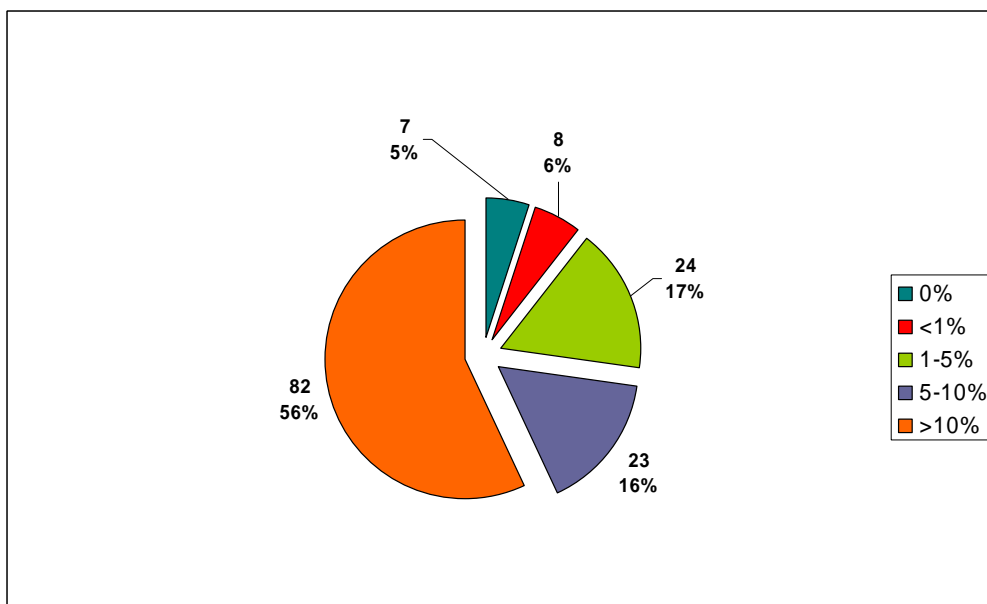
⇒ Although a much smaller percentage of the RTD Acquiring SMEs compared to the RTD Performers stated that they had participated in proposals of research programmes (Q20), the percentages of the two SME's categories appear to be almost the same in the case of their participation in research projects.

22. Does the company intend to participate in the near future in proposals of:

- European research programmes?
- National research programmes?
- Other research programmes?

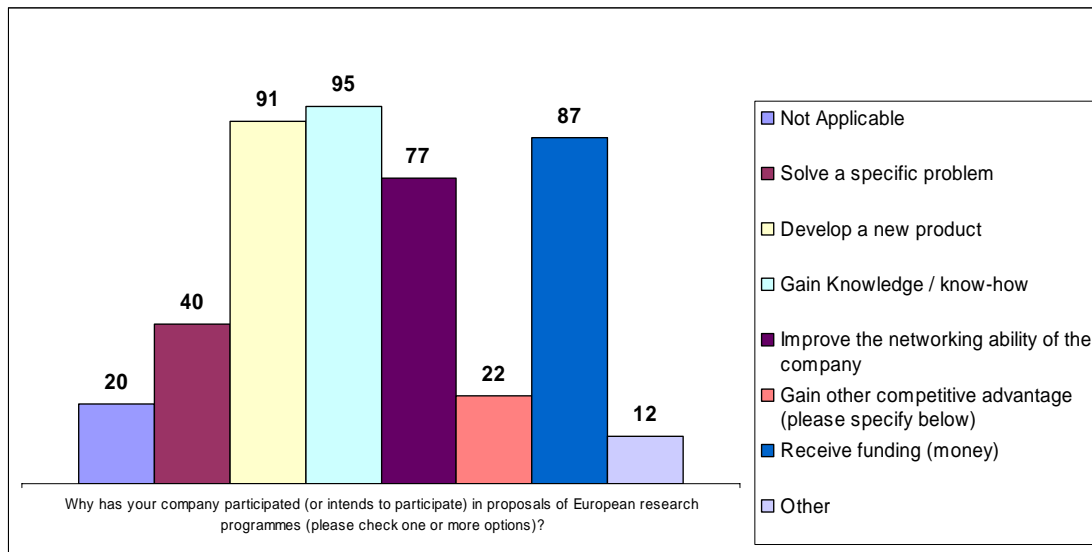


23. Please specify the % of the company's turnover spent to RTD activities?

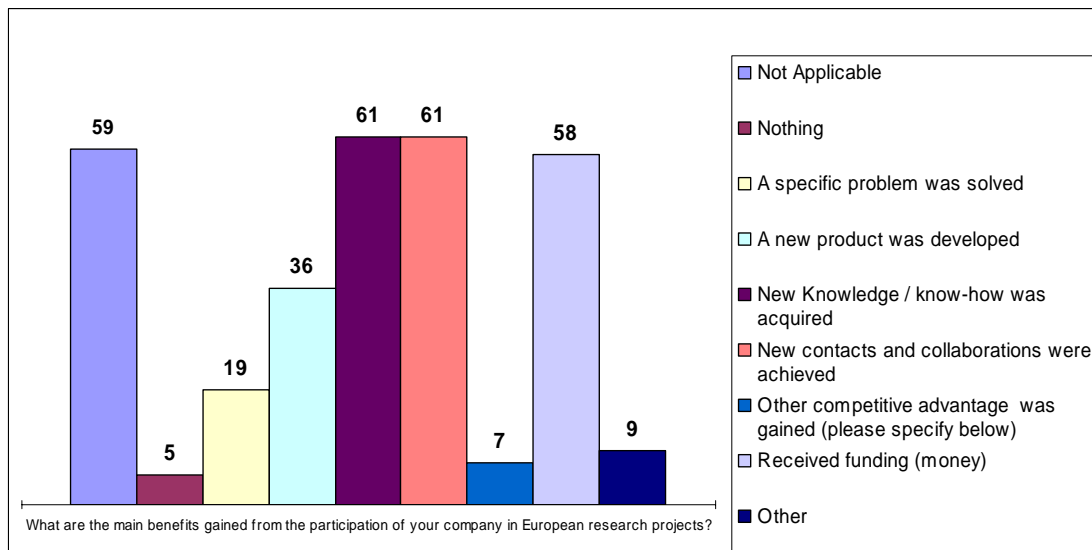


➡ It can be seen that 56% of the SMEs that responded are spending more than 10% of their turnover in Research and Technological Activities. These companies can be considered as Research Performing SMEs while the rest of them, we assume as being Research Acquiring SMEs. This assumption was used for the further analysis of the findings and the selection of the appropriate questions for the final tool.

24. Why has your company participated (or intends to participate) in proposals of European research programmes (please check one or more options)?



25. What are the main benefits gained from the participation of your company in European research projects?



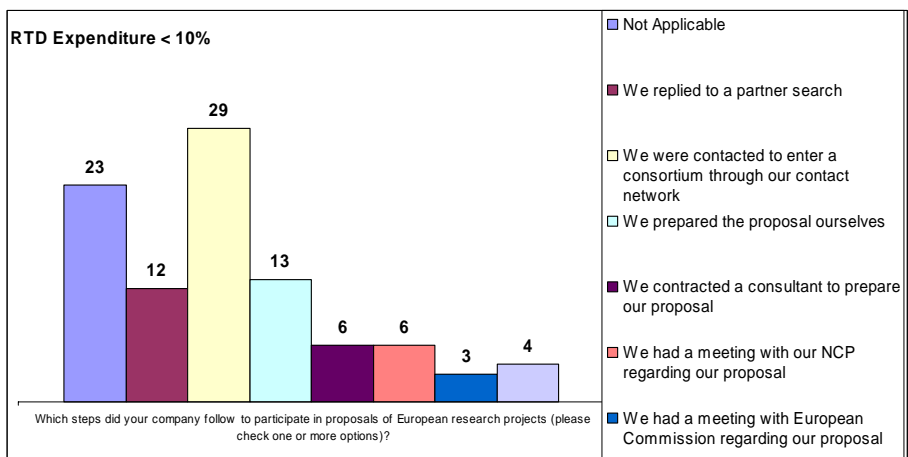
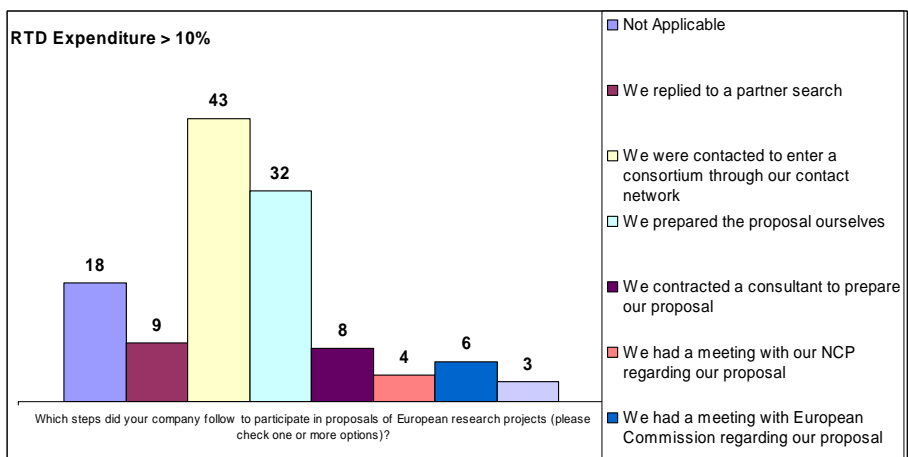
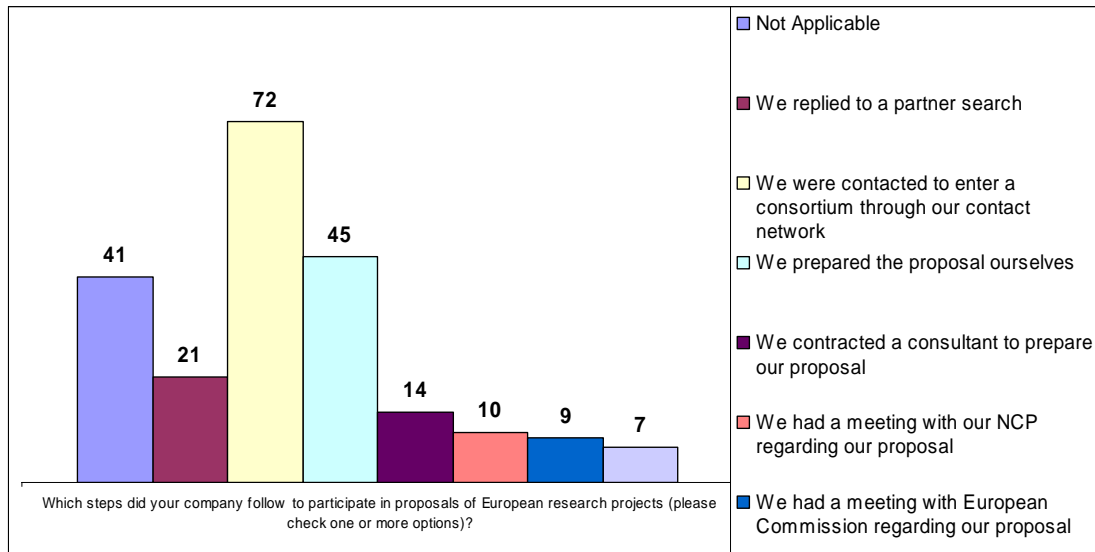
⇒ It can be concluded that the main motivators for enterprises to participate in European research activities are:

- The acquisition of new knowledge and know-how
- The development of a new product

⇒ The main benefits from SME's participation in research projects are:

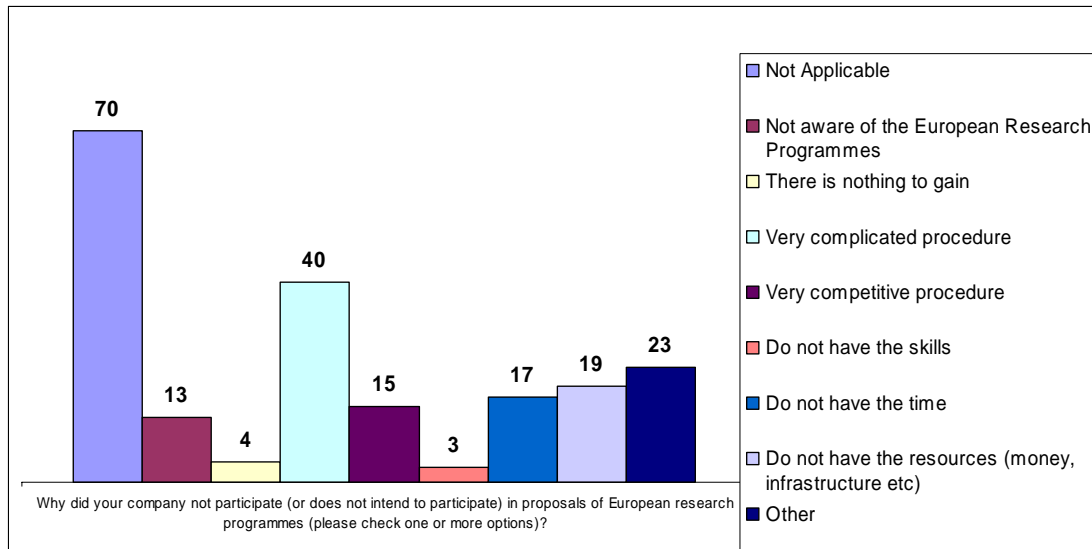
- The acquisition of knowledge and know-how
- The new contacts and collaborations they make during the project implementation

26. Which steps did your company follow to participate in proposals of European research projects (please check one or more options)?



⇒ Percentagewise much more Research Performing SMEs prepare the proposals by themselves and more Research Acquiring SMEs participated in a proposal in response to a partner search.

27. Why did your company not participate (or does not intend to participate) in proposals of European research programmes (please check one or more options)?



- ⇒ The main reason that discourages SME's participation in proposals of European research programmes is the fact that the whole procedure is very complicated compared to the low success rate and the resources required for the proposal preparation.
- ⇒ The followings are some selected reasons as quoted by the SMEs for not participating in FP7 programmes:
 - "SME's cannot plan for EU work anymore as the uncertainties about the date of signing the grant agreement is crazy. It seems that the EU wants to discourage SME's to participate in favor of the large companies".
 - "The relationship between input and returns, including bureaucracy, makes it uninteresting. Too slow and inflexible for a real innovative world".
 - "The outcome of proposals is - obviously - unsure, and therefore cannot be taken into account for our internal planning purposes. The risk/impact is simply too high for a small company. Also, our response time to opportunities is measured in weeks rather than months".
 - "Making EU proposals is a very tedious, time consuming task and finding a 'victim' that can be the coordinator is not easy. Spending all that time without a good chance to obtain the funding is just not very appealing. I once used EU funds that allowed you to prepare a proposal, so you could pay someone for the time investment and also these funds covered expenses (travel) necessary to create the Consortium. Hence, the EC could re-introduce this concept of pre-financing to stimulate businesses to participate. Pre-financing proposals requested by the EC should be short and relatively simple to make as the idea is to promote/stimulate businesses to develop their innovative ideas/themes to viable EC proposals".
 - "The current SME procedure is far too complex and very slow on decision making. The key wrong philosophy of the Grant Structure is

that SME companies are ignorant and therefore should outsource their R&D. SME gazelles", the premier source for future high skill employment, should be able (for example 3 companies from 3 EU countries) to apply without all the RTD/Association etc etc nonsense. Their proposal should be rated on innovation and market potential"

- "This box is used for a general comment: In the past (since FP4) we were involved in RTD projects, also as coordinator. Since then the changed EC financial regulations (and extreme delays in final payment) and the increased administrative burden (increased number of progress/admin reports each with more and more tables to complete; financial audits) make it less interesting to participate. In addition, there is a tendency that project officers have less experience in the scientific area and prefer to tick administrative boxes (a result of the admin burden, also for them!) rather than to support a project aiming at best project results (which is the optimum for consortium and Commission)".
- "The EU is simply not SME-friendly".
- "We participated in 5th Program in CRAFT with assistance of arrangements like exploration awards we would consider participation again".
- "Such application is too complicated and demanding on internal resources and the chance of getting rewarded is virtually zero".

D. CONCLUSIONS

Although the sample of this survey was not representative of the population of the European SMEs, it was very appropriate for the purpose of the survey. It mainly consisted of Research Performing SMEs and Innovative SMEs with low research capacity. The FP7 programmes are targeted exactly to this type of companies: The “Research for the benefit of SMEs” Action of the Capacity Programme is addressed to Innovative SMEs with low or no research capacity while the rest of the FP7 programmes target the Research Performing SMEs.

From the survey the following can be concluded:

1. For the successful participation of an SME in projects of FP7, it must, at least:
 - be innovative,
 - employ university graduates,
 - speak a foreign language (preferably English).
2. The main motivators for enterprises to participate in European research activities are the prospects for:
 - the acquisition of new knowledge and know-how and
 - the development of a new product
3. The main benefits gained from the SME's participation in research projects are:
 - the acquisition of knowledge and know-how and
 - the new contacts and collaborations they have made during the project implementation
4. The main reason that discourages SME's participation in proposals of European research programmes is the fact that the whole procedure is very complicated in combination with the low success rate and the resources required for the proposal preparation.

Based on the above conclusions, twelve (12) questions from the market research questionnaire were selected and adjusted in order to be included in the “SMEs Qualifying for Research” Tool. The final questions and the reasons of their selection are explained in the table below:

Proposed Questions to be Included in the "SMEs Qualifying for Research" Tool

No	Question	Expected answer by:			Rationale
		Not Qualifying SMEs	Research acquiring SMEs	Research performing SMEs	
1	Does your company aim at the continuous improvement of its products / services to the customer's needs?	Yes	Yes	Yes	A leading question implying that since the company aims at the continuous improvement of its products then it should start considering its participation in FP7 projects
2	Is one of your company's objectives the entry in new markets with innovative competitive products?	No	Yes	Yes	A leading question as the previous one. However, the companies which are not considering themselves as innovative are expected to answer No.
3	Is Research and Technological Development (RTD) an important factor for the sustainability and the further development of your company?	No	Yes	Yes	If the companies do not consider RTD as an important factor for their development there is no reason for them to participate in FP7. A question to identify the SMEs that are not qualified to participate in research activities.
4	Does your company have any sort of collaboration with foreign companies/organisations (customers, suppliers etc)?	Yes	Yes	Yes	A stimulating question. The previous interaction and collaboration with foreign companies is a positive factor for the successful participation in research consortia. It is expected that in most of the cases the answer will be yes.
5	Would your company appreciate the funded assistance of experienced research performing organisations, in order to develop a new product, improve your processes or solve a specific issue?	No	Yes	Yes	Like Q3, if the SMEs do not appreciate the assistance of research organisations there is no reason to participate in FP7 programmes.
6	Does your company conduct in-house research?	No	No	Yes	To distinguish the Research Performing from the Research Acquiring SMEs.
7	Are your company's processes and/or products based on its own innovations?	No	Yes	Yes	To distinguish the Innovative SMEs from those which are not qualified to participate in research projects.
8	Are your company's production methods and technologies more advanced than the competitors in your country?	No	Yes	Yes	To distinguish the Innovative SMEs from those which are not qualified to participate in research projects.
9	Does the company employ people with foreign language knowledge?	Yes	Yes	Yes	A stimulating question, implying that since the company speaks a foreign language, it can participate in consortia of research projects.
10	Does the company employ university degree holders?	Yes	Yes	Yes	A stimulating question like the previous one but at the same time a very important one for the successful participation in transnational consortia.
11	Does the company employ PhD holders?	No	No	Yes	To distinguish the Research Performing from the Research Acquiring SMEs.
12	Does the company spend more than 10% of its annual turnover to RTD?	No	No	Yes	To distinguish the Research Performing from the Research Acquiring SMEs.

No. of Yes answers: 4 9 12

If the "YES" answers are between 6-9 the company is considered as a Research Acquiring SME.

If the "YES" answers are 10 or more the company is considered as a Research Performing SME.

APPENDIX I

Market Research Questionnaire