

Experientia backgrounder on new EU innovation policy
April 2011

Major emphasis on user-centred design, open innovation and social innovation in new EU innovation strategy

On 6 October 2010, the European Commission adopted the "**Innovation Union**", a strategic approach to **innovation**, which is to become a main tool to reach the **Europe 2020 targets** that will underpin the smart, sustainable and inclusive growth the Europe 2020 strategy is aiming for:

- **Employment:** 75% of the 20-64 year-olds to be employed
- 3% of the EU's GDP (public and private combined) to be invested in **R&D/innovation**
- **Climate change / energy:** greenhouse gas emissions 20% lower than 1990, 20% of energy from renewables, and 20% increase in energy efficiency
- **Education:** Reducing school drop-out rates below 10%, and at least 40% of 30-34-year-olds completing third level education
- At least 20 million fewer people in or at risk of **poverty and social exclusion**

The Innovation Union will focus Europe's efforts on tackling major societal challenges, such as climate change, energy and food security, health and an ageing population.

Design and creativity have major prominence in the new EU innovation strategy, with a particular emphasis on **(user-centred) design, open and co-creative innovation, and social/public sector innovation**, as described in detail in the European Commission Communication and Rationale for Action, published on 6 October last year, and downloadable from <http://ec.europa.eu/research/innovation-union/>.

In other words, European innovation policy is moving beyond a technology-only approach and becoming **more holistic**, by embracing design, openness and broad social issues.

It will take some time for this new focus to spread to local and regional governmental institutions across Europe, who still often identify innovation with technological innovation.

To help speed up this process, Experientia, the international user-experience design consultancy based in Torino, Italy, has gone through the European Commission documents in detail. This backgrounder highlights those sections that are of major relevance for design companies, design support organisations and therefore also industry organisations.

The text below is mainly excerpted from the *Communication*, and sometimes expanded with text from the *Rationale for Action* or from the *Innovation Union website*.

Please feel free to use this backgrounder to lobby for a more holistic innovation approach also in your own regional context.

Design

"Companies innovate in various ways. While some conduct R&D and develop new technologies, many base their innovations on existing technologies or develop new business models or services driven by users and suppliers, or within clusters or networks. Policies must therefore be designed to support all forms of innovation, not only technological innovation. Specific approaches may also be needed for innovative services with high growth potential, particularly in the cultural and creative industries.

Design is of particular importance and is recognised as a key discipline and activity to bring ideas to the market, transforming them into user-friendly and appealing products. Although some European countries are world leaders in design, others lack a robust design infrastructure and design capability in companies and engineering schools. This systemic gap has largely gone unnoticed but must now be tackled.”

As described in detail in the Commission’s Rationale for Action, a key source of inspiration to innovate comes from the users:

“Firms engaged in user innovation can be classed as ‘super-innovators’. Compared to other innovative firms, they are more likely to introduce new products, processes or services. They are also more likely to initiate new organisational methods. Moreover, the proportion of ‘user innovators’ that carries out both intra- and extra-mural R&D and applies for patents is also higher. [...]

Design is increasingly recognised as a key innovation activity that brings user considerations into the innovation process and encourages interdisciplinarity. [...] Companies that invest in design tend to be more innovative, more profitable and faster-growing than those who do not. [...]

User considerations are the starting point and focus of design activities. With its potential to make products and services user-friendly and appealing, design ‘closes the innovation loop’ from initial research to commercially viable innovations and, as such, has the potential to complement existing innovation and research policy and to broaden the target audience for European innovation policy to mature markets, sectors and regions characterised by non-technological activities and large SME populations, for which investment in technological research may not be feasible or suitable.

Design as a tool for innovation has developed rapidly in recent years, resulting in particular in concepts such as strategic design, design management and design thinking. But innovation policy and support, as well as education systems, have not yet caught up with these developments. Compared to research, science and technology, the general understanding of the role and nature of design is much less developed. Companies that lack experience of design – particularly SMEs, low-tech companies and companies not located in big cities where design businesses tend to concentrate – often do not know where to turn for professional help in the area of design. Design businesses are generally very small, which limits their reach. Although some European countries are among the world leaders in design, others lack a robust design infrastructure and design capability in companies and engineering schools. This is a gap in the European innovation system that has largely gone unnoticed and unaddressed.”

European Commission actions

- The European Commission will launch in 2011 the **European Design Innovation Initiative** (EDII) to exploit the full potential of design for innovation. The goal of the initiative is to raise the awareness of design as a driver of innovation in Europe and to enhance its role as a key discipline to bring ideas to market transforming them into user-friendly and appealing products, processes or services by enterprises and public services in the EU. The European EDII will be supported by its own secretariat situated at the Designium Innovation Centre operating in connection with the Aalto University in Helsinki, Finland.
(see more info here: <http://www.aalto.fi/en/current/news/view/2011-01-26/>)
- In 2011, the Commission will set up in 2011 a **European Design Leadership Board** to steer the EDII initiative. The Board will be invited to make proposals within a year to enhance the role of design in innovation policy, for example through EU and/or national programmes, and a “European Design Excellence” label. The Board will be

composed of members with diverse backgrounds (i.e. business sector, higher education, designers, national and regional agencies promoting design and innovation)

- As part of the follow up to the Green Paper on cultural and creative industries, the Commission will establish a **European Creative Industries Alliance** to develop new forms of support for these industries and promote the wider use of creativity by other sectors.

Open and co-creative innovation

“As the problems grow more complex, and the costs of innovation increase, firms are increasingly being driven to collaborate. While they still carry out in-house developments, this is often complemented with activities to identify, recognise and transfer ideas from external sources, such as universities or start-ups. They sometimes co-innovate with users and consumers in order to better satisfy their needs or create new routes to market. This trend is being fuelled by social networking and cloud, mobile and collaborative computing and is spreading across manufacturing and service sectors. It also has major implications for research, science, education and government itself. These trends to open and collaborative innovation have major policy implications. While it is important to find the right balance between facilitating the diffusion of knowledge and providing sufficient incentives for innovation, the Commission believes that these trends will bring long-term economic and social benefits and should be supported.

It is therefore more important than ever to deliver the so-called “fifth freedom”, which is not only the free movement of researchers but also the free movement of innovative ideas. Genuinely open innovation requires brokerage, intermediaries and networks in which all players can participate on an equal basis. [...] The Enterprise Europe Network provides trans-national technology transfer, brokerage and other innovation and business-related support services and helps SMEs to operate internationally. This should be reinforced and further improved.

The results of publicly funded research should be made more accessible and available. [...]

A key issue is how to increase the flows of, and therefore benefits from, Intellectual Property Rights (IPRs, including patents, design and copyrights). [...] The markets for trading IPRs need to become less opaque and fragmented so that IPR buyers and sellers can find each other efficiently, financial investments are made in IPR assets, and transactions take place on fair terms. [...] SMEs need stronger assistance for efficient use of intellectual and industrial property protection to have a level playing field with larger companies.”

European Commission actions

- The Commission will promote **open access** to the results of publicly funded research. It will aim to make open access to publications the general principle for projects funded by the EU research Framework Programmes. The Commission will also support the development of smart research information services that are fully searchable and allow results from research projects to be easily accessed.
- The Commission will facilitate **effective collaborative research and knowledge transfer**, within the research Framework Programmes and beyond. It will work with stakeholders to develop a set of model consortium agreements with options ranging from traditional approaches to protect IP through to more open ones. Mechanisms are also needed to further strengthen knowledge transfer offices in public research organisations, in particular through trans-national collaboration.

- By the end of 2011, working closely with Member States and stakeholders, the Commission will make proposals to develop a **European knowledge market for patents and licensing**. This should build on Member State experience in trading platforms that match supply and demand, market places to enable financial investments in intangible assets, and other ideas for breathing new life into neglected intellectual property such as patent pools and innovative brokering.
- The Commission will examine the role of **Competition Policy** in safeguarding against the use of intellectual property rights for anti-competitive purposes. It will analyse the implications of collaborative IPR agreements as part of its review of the application of its anti-trust rules to horizontal agreements between competing companies.

Social/public sector innovation

“In a global environment, Europe must develop its own distinctive approach to innovation which builds on its strengths and capitalises on its values by:

- **Focusing on innovations that address the major societal challenges** identified in Europe 2020, strengthening our leadership in key technologies, reaping the potential these markets offer for innovative businesses, and enhancing EU competitiveness. Innovation must become a key element in EU policies and the EU must use the strong potential of the public sector in areas such as energy and water, health, public transport and education, to bring new solutions to the market.
- **Pursuing a broad concept of innovation**, both research-driven innovation and innovation in business models, design, branding and services that add value for users and where Europe has unique talents. The creativity and diversity of our people and the strength of European creative industries, offer huge potential for new growth and jobs through innovation, especially for SMEs.
- **Involving all actors and all regions in the innovation cycle**: not only major companies but also SMEs in all sectors, and including the public sector, the social economy and citizens themselves (**‘social innovation’**); not only a few high-tech areas, but all regions in Europe and every Member State, each focusing on its own strengths (“smart specialisation”) with Europe, Member States and regions acting in partnership.”

“Social innovation is an important new field which should be nurtured. It is about tapping into the ingenuity of charities, associations and social entrepreneurs to find new ways of meeting social needs which are not adequately met by the market or the public sector. It can also be about tapping into this same ingenuity to bring about the behavioural changes which are needed to tackle the major societal challenges, such as climate change. As well as meeting social needs and tackling societal challenges, social innovations empower people and create new social relationships and models of collaboration. They are thus innovative in themselves and good for society’s capacity to innovate. [...]

While there is no shortage of good ideas, social innovations are not yet producing the impact that they should. There must be more support for experimentation. Approaches that have clear advantages over current practice then need to be scaled up and disseminated. To achieve this, competent intermediaries, effective incentives and networks speeding up and facilitating mutual learning are needed. Across Europe, infrastructures of this kind already exist for business innovation, yet there are currently no equivalents for social innovation. Better evaluation methods are needed to identify what works and what does not, and why, as well as what could and should be scaled up.

To meet the evolving needs and expectations of public service users against a backdrop of fiscal austerity, the public sector needs to innovate more than ever. More and more governments are embracing more citizen-centred approaches to service delivery. Many have launched e-government strategies aimed at moving existing services online, and beyond that to develop new internet-enabled services. At EU level it is important to develop a better understanding of public sector innovation, to give visibility to successful initiatives, and to benchmark progress. Much will depend on creating a critical mass of public sector leaders who have the skills to manage innovation. This can be achieved through more sophisticated training, as well as opportunities to exchange good practice.”

European Commission actions

- The European Commission will launch a **European Social Innovation pilot** which will provide expertise and a networked ‘virtual hub’ for social entrepreneurs and the public and third sectors.
- It will promote social innovation through the **European Social Fund (ESF)** building on the significant investments in social innovation which the ESF has made over the last ten years, all along the innovation cycle. This will be complemented by support to innovative social experiments to be development in the framework of the European Platform against Poverty. Social innovation should become a mainstream focus in the next generation of European Social Fund programmes. Member States are encouraged to already step up efforts to promote social innovation through the ESF.
- Starting in 2011, the Commission will launch a substantial **research programme** on public sector and social innovation, looking at issues such as measurement and evaluation, financing and other barriers to scaling up and development. As an immediate step, it will pilot a **European Public Sector Innovation Scoreboard** as a basis for further work to benchmark public sector innovation. It will explore with Member States whether it is appropriate to bring together new learning experiences and networks for public sector leaders at European level.
- The Innovation Union plans to use public sector intervention to stimulate the private sector and to remove bottlenecks which stop ideas reaching the market. The Commission therefore proposes that governments set aside dedicated budgets for **public procurement** of innovative products and services. This should create a procurement market worth at least €10 billion a year for innovations that improve the efficiency and quality of public services and address major societal challenge (building on the EU Lead Market Initiative). The Commission will offer guidance on joint procurements between contracting entities from different Member States.
- The Commission will consult social partners to examine how the knowledge economy can be spread to all occupational levels and all sectors. It will ask the social partners for proposals on how to develop a sectoral labour market strategy for the caring strategy.

It is also worth noting that structural funding and state aid frameworks will be reviewed to boost innovation. The Commission will assist Member States to use better the € 86 billion of structural funds programmed for research and innovation for 2007-13. It will propose a framework for post 2013 Structural Funds with more focus on innovation. In 2011 it will review the state aid framework.

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