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Investment Readiness of Innovation Projects in South-East Europe

Workshop takeaways

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2018

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JRC112682

Brussels: European Commission, 2018

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How to cite this report: Vlačić, E., Kaymaktchiyski, S., *Investment Readiness of Innovation Projects in South-East Europe*, European Commission, Brussels, 2018, PUBSY No.

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The Investment Readiness (IR) workshop in Zagreb successfully covered all scheduled sessions and topics. In addition to the opening and keynote speeches, 7 panel sessions were successfully held producing significant nationally, regionally (WB), EU and even globally oriented/relevant insights.

Opening speeches. These emphasised the importance of smart specialisation strategies and the need of supporting the development of scientific and technological excellence as a prerequisite to attain and maintain competitiveness of national/regional economies. Participants learned that science and technology development, besides being business oriented, need to satisfy the objectives of a wide set of stakeholders and contribute to the achievement of broader societal goals. Large, regionally oriented, collaborative projects may act as a vehicle to reach the critical mass of scientific/knowledge excellence, which will also stimulate the creation of innovative start-ups that could evolve into successful scale-ups. The instruments for supporting innovation and scaling up in Europe progressively include more financial instruments (e.g. equity investments) as opposed to more traditional grants. The EU strategically counts on and supports regional efforts in scientific and technological development, and the next few years will be crucial for accelerating science and technology further in this geography. Current challenges were also discussed, especially in relation to the current rankings of universities in the region and the need to enact and support systemic institutional and cultural changes. Emphasis was placed on the importance of ensuring that public intervention clearly adds value by focusing on clearly identified needs and gaps, avoiding duplication of efforts and support already available in the context of existing programmes and initiatives (e.g. S3).

Innovation and Design (*keynote speech by Michela Magas*)

The audience was provided with an exceptional opportunity to observe examples of how humans interact with technology in the art and design industry using innovative methods of communication. The focus was on the experience that technology offers to human beings. Possibilities for combining art and science, academia and industry, innovation and technology and create synergies were presented. In addition, managing complex innovation projects (and related intricate IP) was also discussed in this section.

Innovation Readiness (*keynote speech by Andrea Basso*)

An investment readiness paper was presented, including the IR definition and the characteristics that an investee must have to be investment ready (e.g. 30% of the value of the business is related to the team). In the WB region, equity investments are not readily used and often no capacity exists to utilise these. There is a lack of readiness of the entrepreneurs to attract equity financing. Capacity building through training programmes and mentoring through coaching is key to boost investment readiness in the region.

Addressing Investment Readiness Gaps

In this session, various financial institutions presented investment readiness related challenges for start-ups and scale-ups of financial, organisational or commercial nature. The gaps discussed were generally aligned with those identified in the Position paper prepared by A. Basso and E. Baltar, which was circulated ahead of the workshop. Additional challenges discussed during the workshop included difficulties for young companies in communicating with investors, poor familiarity with existing funding mechanisms and a pervasive reticence among academics to engage in potentially risky commercialisation activities. The session also furnished evidence proving the effectiveness of investor readiness training in improving outcomes in terms of fund raising for innovative projects.

Implementing the Scaling-Up Process

This session provided an overview of several regional scale-up support schemes. The importance of identifying a market need and how this is satisfied by the proposed solution was emphasized as well as the importance of the team. A case study on applied robotics in the medical field was also presented. Differences in implementing the scale-up process between the EU and the USA emerged in this session. Europe is still lagging behind the USA in terms of available capital and investments for scaling up, however, there are some ambitious instruments and initiatives on the European level such as the EIC.

Financial (and other) Instruments for Supporting Scale-Ups

The session gave the participants a variety of insights (institutional, business angels, venture capital, and commercial banks) related to the funding opportunities available to start-ups and scale-ups. The same session provided evidence of high mortality rate of investees, as well as the high risks inherent for business angels and investors in early stage projects. Discussion with the audience unveiled that there are no regionally specific issues (the quality of the idea, the appropriateness of the innovation team and the understanding of the market) that may hamper the process of securing funding. These are, rather, globally recurring challenges. Panellists also indicated that while a combination of public and private funding is always a viable solution, anecdotal evidence seems to indicate that commercial success only results when private funding becomes the dominant element.

How to Build Up Capacities - Setting the Ground for Successful Scaling-Up

The session offered a series of interesting and useful discussions on what are the environmental constraints and how to implement strategies to support scale-ups. Firstly, we learned about the divergences in perceiving the importance of critical success factors of innovation performance between two 'opposed' sides, the institutional framework and the innovation performing firms which are technology oriented (the Croatian case). We learned that, amongst others, financing innovation acts as a very important factor for both sides (public and private). Participants were introduced into the definition of a "scale-up" company (requirements for certain number of employees, revenue, growth) and they also gathered that scaling-up is an uncertain process. In the case of Ljubljana the recorded success rate of start-ups actually scaling up is about 2%. Also, some deeply embedded cultural issues acting as critical success factors may influence the success in innovation performances (comparison case Croatia vs. Norway). Furthermore, the culture in start-ups that are scaling up changes rapidly and founders and managers need to be able to quickly adapt to the growing number of employees that must be managed (purely technical founders have to become managers, etc.).

Open Discussion On Instruments For Scale-Ups In The Western Balkans Region

This session offered a useful overview of applied practices that various WB region countries are implementing in their operating environments. All economies in the region offer support programmes for start-ups and scale-ups in some form or shape but none have covered the whole funding cycle. A need for start-up and even more so for scale-up funds, was highlighted. Panellists confirmed that there is no deficiency in first class technical ideas, but the problem arises with matching these ideas with demand and bringing these ideas to the market. Various strategies have been applied in order to attract fundable ideas in various countries, some of them are more and some are less successful. Other points made include the need for regional cooperation and support in soft skills via entrepreneurial education. The discussion with the audience unveiled that IT tools/platforms could be used in order to better monitor and track the success of

particular funding schemes or programmes. It was also discussed how innovation instruments are a function of risk (political, managerial and financial).

Start-Up Ecosystem in South East Europe: Challenges and Opportunities

In this session, the audience had an opportunity to listen to a plethora of information about the various different ecosystems in the Balkans (e.g. Croatia, Romania) including a critical look at the model currently dominant in Silicon Valley. Open Innovation strategies utilised by large multinational corporations (MNCs) were also considered (IBM case). They also learned that Open innovation is becoming the predominant innovation paradigm contrary to the closed/linear model of the past. Having research, technology, development and innovation (RDI) services on demand has become a convenient vehicle for large MNCs to cooperate with the whole variety of innovation supplying partners. Finally, when dealing with innovation and its principles we should not overlook the social aspects of the entire process. Credibility is an important factor in building up capacities, setting the ground for innovation and scaling up, particularly the credibility of the institutional framework.

Real Case Studies

The session presented experiences from RDI practitioners at various stages of development (cases from Croatia and Kosovo), ranging from academia and entrepreneurial start-ups all the way to mature scale-ups. Several cases of successful academia-industry cooperation were presented. Internationalisation of innovative product/services represents a crucial but very challenging issue, and innovation entrepreneurs are tackling it in different ways, depending on the complexity of their product offering and the underlying business model.

Keywords: innovation ecosystems, scale-ups, start-ups, scientific excellence, collaboration, market orientation, institutional support and commitment.

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