

Boosting regional entrepreneurial ecosystems in Europe – Policy recommendation of the iEER Interreg Europe to the EU’s policy makers

10 October 2019



European Union
European Regional
Development Fund



This paper is jointly presented by the consortium of the iEER Interreg Europe Project – Boosting Innovative Entrepreneurial Ecosystem in Regions for Young Entrepreneurs.

- Helsinki-Uusimaa Regional Council and Laurea University of Applied Sciences, (Helsinki-Uusimaa, EER 2012)
- Institute of Technology TRALEE (Kerry County, EER 2011)
- University of Applied Sciences Brandenburg (Land Brandenburg, EER 2011)
- Marche Regional Authority (Marche, EER 2014)
- Hauts-de-France Innovation Development (Hauts-de-France, EER 2013)
- Northern Ireland Local Government Association (Northern Ireland, EER 2015)
- Region of Southern Denmark (Southern Denmark, EER 2013)
- Regional Government of Valencia (Valencia, EER 2015)
- Marshal Office of the Westpomeranian Region
- West Region Romania

This recommendation is drawn upon the findings of the iEER Handbook published in spring 2018 and a stakeholder consultation in summer 2019.

The iEER handbook is available at: <https://www.interregeurope.eu/ieer/ieer-handbook/>.

Foreword

The iEER – Boosting Innovative Entrepreneurial Ecosystem in Regions for Young Entrepreneurs – is a flagship project gathering together ten regions around Europe. Funded by the Interreg Europe in 2016-2020, the iEER aimed to strengthen the European single market by encouraging the integration of structural fund investment across Europe supporting young entrepreneurs. The iEER initiative is driven by “European Entrepreneurial Region (EER)” award winning regions – Helsinki-Uusimaa, Brandenburg, Hauts de France, Kerry, Marche, Southern Denmark, Northern Ireland, Valencia, West Pomerania and West Region Romania – which represent a diverse demographic and socio-economic profile of regions in Europe.

Conventionally, European policies have tackled challenges that SMEs have faced by improving legal frameworks and providing financial initiatives. With the emerging concept of the ecosystem thinking for startups and entrepreneurship, the iEER believes that promotion and further development of entrepreneurship ecosystems in Europe is a key component to make Europe an attractive and supportive place for SMEs and young companies to strive. The iEER has identified a number of variables that affect entrepreneurial and business environment in Europe and the challenges for the cities and regions to take an active role supporting SMEs and startups in the current EU policy setting.

Since 2016, iEER organised 15 international events across Europe in the effort of developing better policies in the EU regions supporting the development of startups ecosystems and entrepreneurial mindset. This policy recommendation is reflected upon the experienced of 1 500 stakeholders who took part of the iEER activities in 2016-2019 and validated through a stakeholder consultation where 70 local experts’ opinions from iEER regions were analysed.

Recommendation

1. Making Europe entrepreneurial

Fostering development of entrepreneurial competence and mindset activation at all levels.

1.1. **Prioritising the support to entrepreneurship education in both SME policy and education policy.**

Entrepreneurial competence consists of entrepreneurial learning and entrepreneurial culture and mindset activation. Many EU countries have introduced entrepreneurship education to foster the entrepreneurship skills, culture and mindset, but often they belong in the education domain and are not linked with business. The findings of the iEER project confirm that the entrepreneurship education should be embedded in the school system as early as possible and it should be prioritised and supported also in the SME policy. Nearly half of the experts who took part of the consultation consider that the mindset of adverse to risk and fear of failure are two of the main obstacles that prevent business and entrepreneurs to succeed.

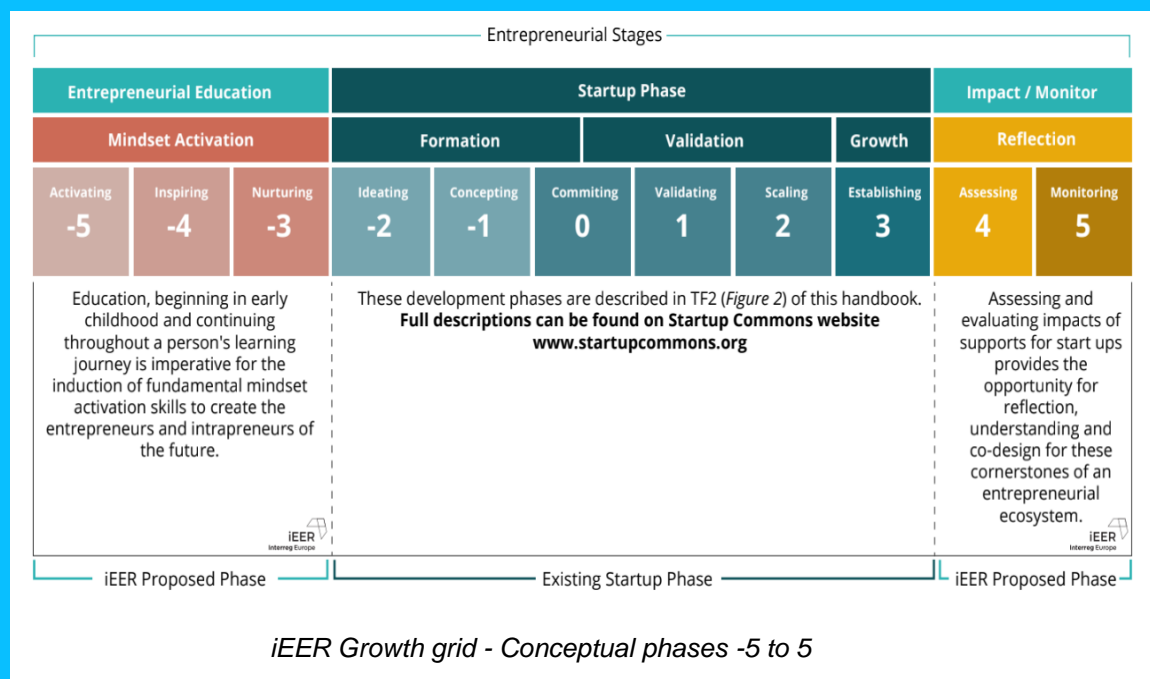
As part of life-long learning effort, supporting public sector and civil servants to be entrepreneurial should also be a priority in the future EU policy. In this way EU funding and policy could help to bridge the gap by providing capability building and training schemes, not only for the educators but as well for civil servants and policy makers. The success story of the iEER pilot action – Aula Emprende that trained the teachers and professors in 31 universities, taught more than 1000 students in a period of one and a half years – proved that the good practice Aula Emprende is scalable and transferable into a wider action for Europe.

1.2. **Applying the iEER Growth Grid in streamlining SME policies.**

While most of the policies for startup and SMEs are built upon the life span of a business – start up, scale up and growth, the importance of entrepreneurship education and monitoring of impacts are often overlooked when developing a regional policy.

The iEER Growth Grid was developed to reflect the complexity of the development of an entrepreneurship ecosystem and to reinstate the important role of the regions and cities

in this context. The grid adapts the existing framework of the startup circle from the phases of -2 to 3 to the phases of -5 to 5. This grid aids the policy makers a tool to focus on the long-term impacts of the policy. The inclusion of the monitoring in the phase ensures that the results and impacts will be measured and monitored, and the process will be used to improve the policy intervention when necessary.



The concept of the iEER Growth grid provides a holistic approach for policy design where education, entrepreneurship, innovation and research are aligned, and it should be further expanded and developed into a tool for all EU regions in preparing the RIS3 strategies.

1.3. Connecting the entrepreneurial ecosystems of the EER regions

This iEER project was driven by the group of former “European Entrepreneurial Regions”. It further introduced the notion of quadruple helix in developing a conducive entrepreneurial and business ecosystem. With the funding of the Interreg Europe, the iEER project succeeded in convincing the policy makers, industry, academia and entrepreneurs to collaborate and work together to enhance support of 10 European Structural fund programmes to support activities for startups and business.

This outcome proves that the entrepreneurship ecosystems of EER regions are ready to collaborate and these regions together could be a testbed for testing new ideas at political and operational levels. The European Committee of the Regions, in cooperation with the European Commission and existing EU networks and policy platforms, could further strengthen the cooperation of the EER regions and intensify the connection of entrepreneurship ecosystems for piloting EC’s new policy interventions.

2. Removing barriers for growth

Improving coordination and removing barrier for effective support to startups and their acceleration.

2.1. Intensifying the integration of single market and investing in connectivity – physical and virtual – continuously.

While embracing the opportunities presented by globalisation and EU membership, most iEER regions face challenges associated with distance from the European core and connectivity deficits arising from physical location, access to talents and finance. For most of the iEER regions, growth and innovation are geared with the linkages and connections with intraregional, interregional and transnational counterpart.

Enhancing the integration of single market in goods, capital, services, persons and digital connectivity should remain the priority of the EU's next programme period.

2.2. Improving flexibility of funding rules for the management authorities of the structure funds and reducing the bureaucracy and simplifying the applications with interoperable platform for e.g. banking, taxation and legal registry.

Fundings must support the development of entrepreneurial mindsets. While some regions continue to enjoy access to EU structural funds for supporting SMEs, many iEER regions face challenges in terms of mainstreaming initiatives that have been piloted using EU support. In addition, the bureaucracy and heavy administration hinders the progress of business development and growth.

The management authorities of EU structure funds should also be entrusted with more flexibility and autonomy in managing the fund. Access to funding by reducing bureaucracy and simplifying the application process with interoperable platforms for banking, taxation, and legal registry should be further improved.

2.3. Making EU Structural funds more accessible supporting the actions in the region for young, growing and innovative businesses.

From the experience of the iEER partners and stakeholders, startup support financed by the EU funding is particularly needed in a region where the government doesn't spend enough budget on it. The funding instruments of the EU for entrepreneurship, economy and education should be integrated and coherent and enable capacity building.

The EU's interregional programmes play crucial role supporting European regions in accessing new knowledge and transferring good practices and helps these regions in not reinventing the wheel and improving their policies. Instruments such as Interreg Europe should be further instated in the next programming period.

3. Renewing skills for innovation

Renewing skills and all forms of innovation in outlying areas.

3.1. Supporting the SMEs in upgrading their digital skills and all forms of innovation.

The iEER project and its ten regions welcome the new policy development in the next programming period for the possibilities of using Structural Funds (ERDF) to support innovative and smart economic transformation in the form of skills and intangible assessments.

All actors in the regions and cities in the EU will need to acquire better skills for smart specialisation, industrial transition and entrepreneurship to foster business and startup growth. Such support should be equally available to all regions in Europe.

3.2. Acknowledging the opportunities and challenges facing entrepreneurs in outlying areas through the Public-Private-People model.

iEER has identified four key factors that need to be addressed by the key stakeholders supporting enterprise and entrepreneur growth in outlying areas within the EER regions. These include Connectivity; Infrastructure; Accessing Talent and Skills and Scaling in isolated locations.

The concept of an integrated plan between the public (regional authorities, enterprise supporting agencies and academia) and private sector needs to be further explored by the EU as a key model in supporting these opportunities and challenges facing entrepreneurs in outlying areas.

3.3. Easing the process of succession in family business.

Family businesses make up more than 60% of all companies in Europe. They range from sole proprietors to large international enterprises. Big or small, listed or un-listed, family businesses play a significant role in the EU economy and their strong presence was evident amongst the iEER regions.

The EU must be flexible to choose the proper instruments to implement a system and enable the regions and cities to give support towards succession planning for these family businesses.

4. Bringing RIS3 closer to entrepreneurs

Bringing the implementation of regional smart specialisation strategies (RIS3) closer to the entrepreneurs and the stakeholders.

4.1. **Making entrepreneurship ecosystem a reality. Activating national and local government in the RIS3 implementation in the EU's upcoming programme period.**

The EU's smart specialisation strategy is an important tool for regions and cities to systemize the support and activities for SMEs. Smart specialisation affects different areas within the iEER regions, according to the type of region: metropolitan, old industry or peripheral region.

According to the iEER study, regional authorities have stressed the importance of the involvement of universities in their RIS3 strategies. However, very few of the regions have incorporated the universities into their strategy. In addition, the implementation of RIS3 strategies relies on the support of external funding and largely provided via EU structural funds, which are mostly administrated by the regional bodies or development agencies. As a result, the RIS3 gained less attentions of the national and municipal administrations and the participation of national and regional authorities varies in all iEER regions.

The so-called quadruple helix cooperation involves all policy making actors to develop the business environment – this approach is important for developing a conducive business environment for SMEs. To further strengthen this, the European Commission could allocate funding or impose mechanism to encourage national and local administrations in the RIS3 implementation in the upcoming programme period.

4.2. **Making international innovation partnership and renewal of skills more accessible for European regions.**

The EC's proposal for a new instrument dedicated to interregional innovation investments fully answers the needs of the regions in scaling up innovations. It includes the commercialisation and scaling up of interregional innovation projects having the potential to encourage the development of European value chain (Component 5, ETC Art. 9.2). The ERDF funding can be mobilized to support interregional innovation investments by bringing together researchers, business, civil society and public administration involved in smart specialisation strategies established at national and regional levels (ETC Art 61).

In the current programming period, nearly 90% of EU NUTS 2 regions are involved in Interreg Europe projects. Interreg Europe is widely used by regions and cities in developing their capacities for better policy design and implementation. By mixing more advanced with less advanced regions, this instrument is particularly relevant for the Cohesion policy and should be continued in 2021.

4.3. Engaging SMEs as partners to the United Nation's Sustainable Development Goals (SDGs).

According to the document "Reflection for a Europe that is sustainable by 2030" of the European Commission on 30 January 2019, UN Sustainable Development Goals (SDGs) are not an objective in themselves but serve as a guide and map. "A large part of the EU's policies are already geared towards the achievement of the SDGs, but they should still be implemented in an integrated manner by the Member States". Education, science, technology, research and innovation are prerequisites for achieving a sustainable EU economy meeting the SDGs.

EU could help to raise awareness, broaden knowledge, and hone skills of SMEs, gearing towards achievement of the SDGs. Equally, regions should consider the policy developed by the EU regarding the SDGs in their SME policies.

4.4. Advocating a new SME policy for the EC's next policy framework where roles of cities and regions are activated and supported.

According to the mission letters allocated to the Commissioner-designates, the upcoming European Commission will propose a new SME strategy, co-lead by two Executive Vice-Presidents Margrethe Vestager (Europe Fit for Digital Age) and Valdis Dombrovskis (An Economy that Works for People). The strategy focuses on supporting small businesses, entrepreneurs and start-ups, notably by reducing the regulatory burden and enabling them to make the most of digitisation and better access to finance. Furthermore, the Commissioner-designate for Internal Market Sylvie Goulard is expected to contribute to the SME strategy, as well as to appoint a special Commission envoy for SME's.

In the preparation of the new SME strategy, EC could conduct EU-wide consultations where opinions and experience of cities and regions will be consulted. In particular, the EC could collaborate with the CoR and tap into the rich experience and best practices of the EER network and iEER regions in driving the entrepreneurship ecosystem for young entrepreneurs and SMEs.

Background

Results of the iEER expert opinions on the support of EU policy and fundings to SMEs and entrepreneurs

From July to September 2019, the iEER conducted an expert consultation on the experiences of EU funding and policies in the area of business development and entrepreneurship.

Demography and background of the experts

70 experts from Helsinki-Uusimaa, Brandenburg, Hauts de France, Kerry, Marche, Southern Denmark, Northern Ireland, Valencia, West Pomerania and West Region Romania took part of the consultation.

Of which 28% represents public sector, 39% represents universities and education institution and 11% represents companies and business. 70% of experts and their affiliation provide services and support of business and companies and 11% work with law and policy making support the development and growth of business and companies. 86% of experts consider they are part of the entrepreneurship ecosystem and are an active actor in making it good for startups and young entrepreneurs to succeed.

Experience in EU fundings

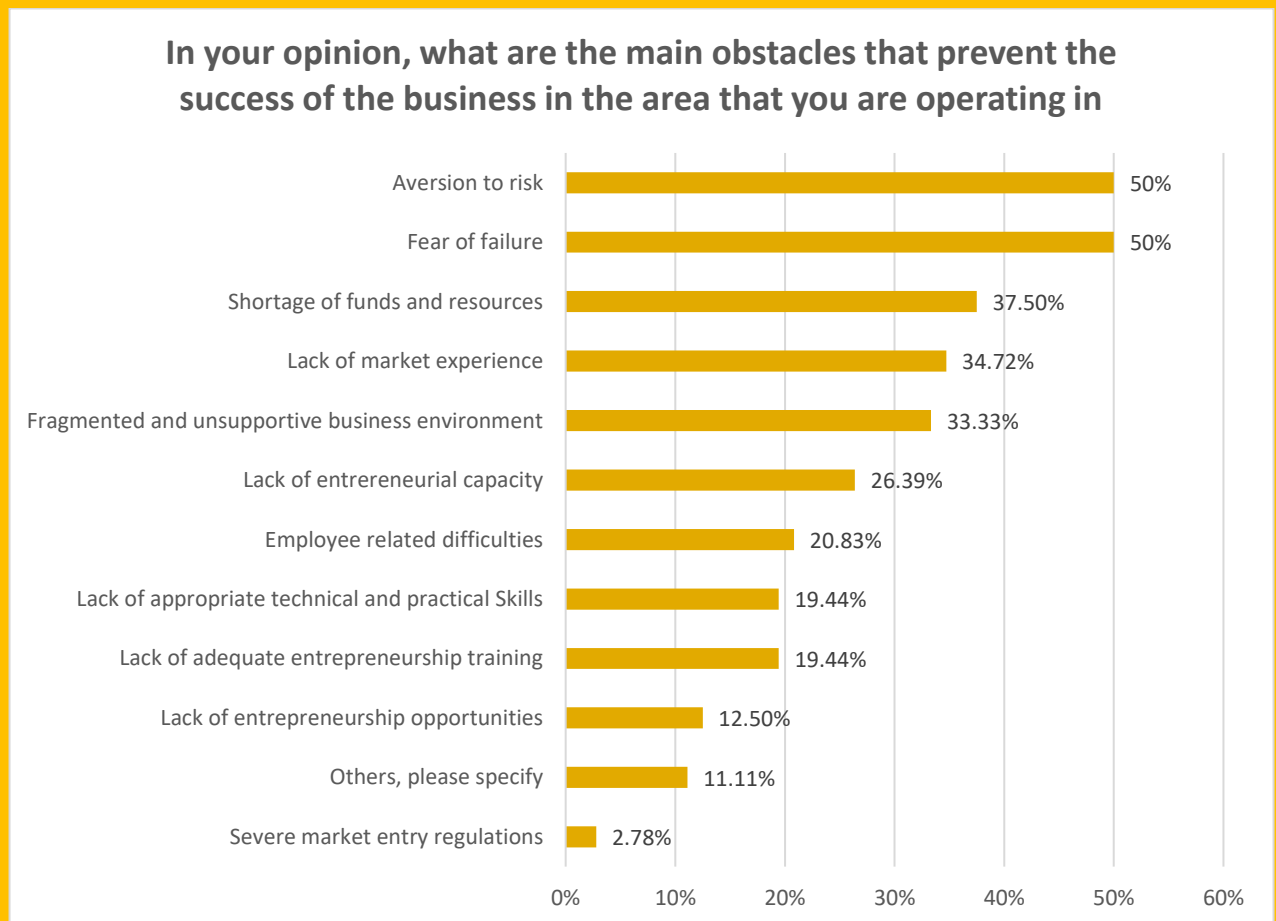
69% of experts had been involved in or benefited from the European Regional Development Fund (ERDF), 45% Interreg programmes, 36% European Social Fund (ESF) and 23% EC funding including Horizon 2020, COSME, Erasmus+ and Marie Curie.



1

Obstacles that prevent the success of business and development of an entrepreneurial ecosystem in regions

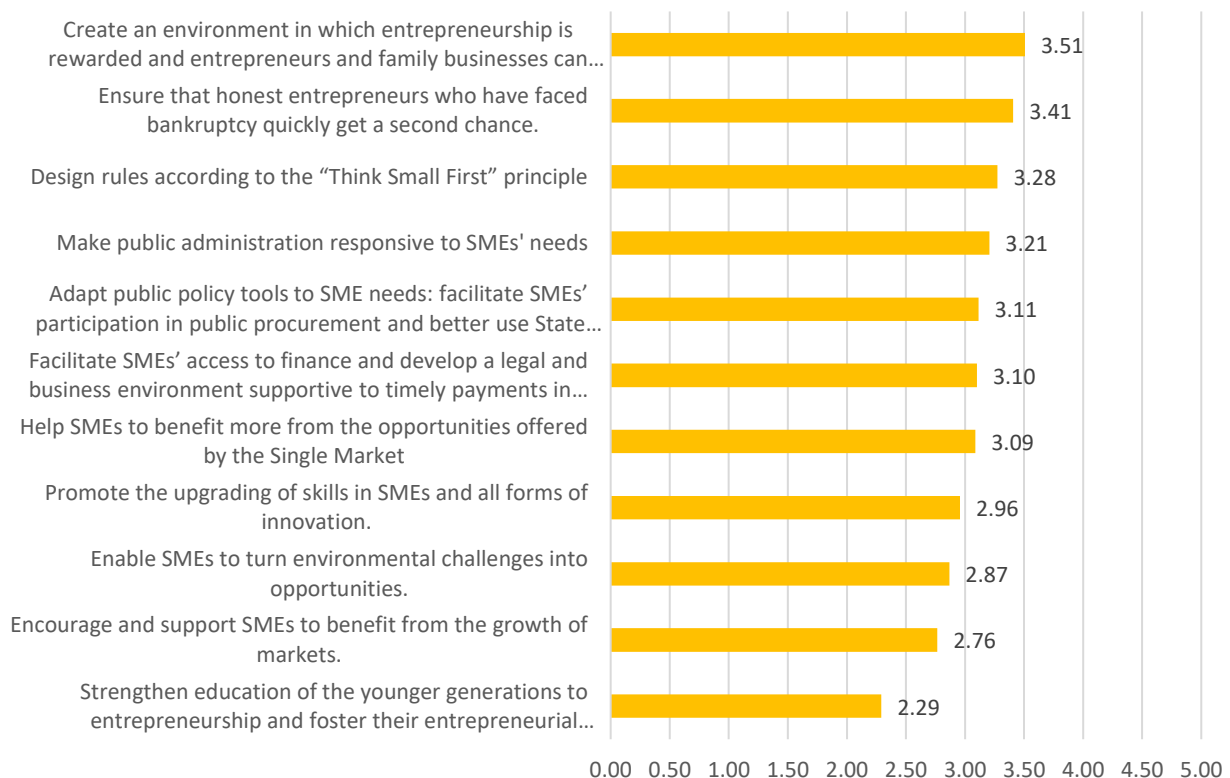
While being asked about the main obstacles that prevent the success of business in the area that the experts operate in, 50% of experts indicated that aversion to risk and fear of failure are two main reasons that prevent business from succeed, followed by 37.5% who indicated lack of fundings and resources, 34.72% lack of market experience and 33.33% fragmented and unsupportive business environment.



Effectiveness of EU policy in supporting business and entrepreneurs

From the experts' personal experience, they perceived that EU policy is mostly effective in "creating an environment in which entrepreneurship is rewarded and entrepreneurs and family business can thrive" (grade 3.5 out of 5), second chances for honest entrepreneurs who had faced bankruptcy (grade 3.4 out of 5). On the other side, strengthening education to foster entrepreneurial mindset and skills (2.29 out of 5) and encouraging and supporting SMEs to benefit from the growth of market (2.87 out of 5) and enabling SMEs to turn environment challenges into opportunities (2.87 out of 5) are three areas for improvement.

From your experience, how effective is EU policy in supporting the following policy areas¹ = no effect, 5 = highly effective



3

Future priorities of the EU in developing the business environment for Europe

Based on the experience of the consulted experts, they suggest the future priorities of the EU in developing business are to strengthen the entrepreneurship education of younger generations and foster their entrepreneurial mindset and skills (4.61 out of 5), better access of funding by reducing the bureaucracy and simplifying the applications with interoperable platform for banking, taxation, legal registry, etc. (4.56 out of 5) and to promote and support the SMEs in upgrading their digital skills and all forms of innovation (4.47 out of 5).

From your experience, what should be the future priorities of the EU in developing the business environment for Europe
1 = no priority, 5 = highest priority





European Union
European Regional
Development Fund

