PASSPARTOOL
Interreg Europe

ACTION PLAN

(v6 - may 2022)

European Union
European Regional
Development Fund

Northern Netherlands Alliance
NETHERLANDS

Contents

Research & innovation

Key tools to assess and improve soft innovation policies

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Part I – General information

Project: PASSPARTOOL

Partner organisation(s) concerned: Northern Netherlands Alliance (SNN)

Country: The Netherlands

NUTS2 region: Northern Netherlands

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Part II – Policy context

The Action Plan aims to impact:

➔ Investment for Growth and Jobs programme
➔ European Territorial Cooperation (Interreg) programme
➔ **Other regional development policy instrument**

Name of the policy instrument(s) addressed:

The Operational Programme ERDF 2021-2027 Northern Netherlands

Further details on the policy context and the way the action plan should contribute to improve the policy instrument:

The policy instrument that this Action Plan aims to impact is the **Northern Netherlands Operational Programme ERDF 2021-2027**, which is based on the 2014-2020 programme.

The OP ERDF is the main public funding source for the implementation of the **Northern Netherlands (N-NL) Regional Innovation Strategy (RIS3).** The N-NL region has expressed the objectives of its RIS3 in terms of societal challenges, which are linked to the regional strengths. In line with the design of the RIS3, the focus of the OP ERDF has thus far been on fostering innovation around these societal challenges.
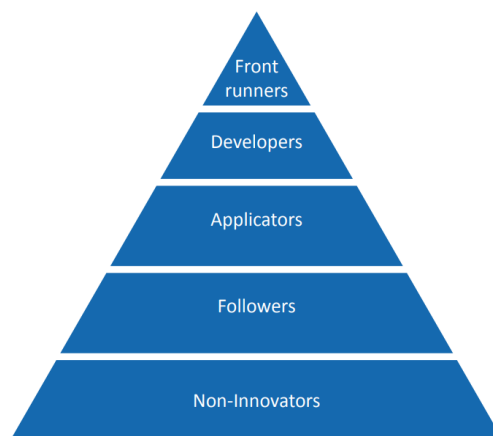
In general terms, the **OP ERDF instruments** aim at improving the knowledge base of SME's, fostering collaboration with knowledge institutes and other businesses, and introducing new products and services. However, most of the current instruments of the OP ERDF are generic or horizontal by nature. The wish for this policy instrument is to **become more specific and effective in delivering innovative solutions** to the societal challenges of the region.

One of the biggest challenges for OP ERDF 2021-2027 is to develop –in close cooperation with parties around us– **a coherent package of (subsidy) opportunities that supports a structural upward movement of SMEs in the Innovation Pyramid**. The 'Innovation Pyramid' model classifies SMEs in different innovation profiles according to their degree of innovativeness. We refer to the '**innovation competence ladder**' as the SMEs' capacity of advancing towards the next innovation profile.

This conceptual model helps to visualise that, if we are to develop a package of support instruments in this direction, attention should be paid to the different interrelated factors that help SMEs or prevent them from **taking steps on the innovation competence ladder**.

Innovation pyramid - innovation profiles

Front runners

Developers

Applicators

Followers

Non-Innovators

This model also facilitates the understanding and integration of the **principle of target group differentiation**. In the OP ERDF context, this principle is important since the issues and support needs that faces, for instance, an applicator are different from those of a follower or a developer. Therefore, it is determinant to offer different support instruments to each profile: accessible instruments to beneficiaries at the bottom of the ladder (e.g. vouchers) and more complex instruments to beneficiaries that are placed higher up the ladder, with higher requirements (e.g. collaboration or knowledge sharing). In fact, in TW3, it was highlighted the importance of establishing a balanced portfolio of policies, rather than individual instruments.

Drawing on this model, our main assumption is that, in order to stimulate the upward movement of SMEs in the innovation competence ladder, it is necessary not only to target and support R&D innovation (i.e. product and services) but also **softer innovation competences and processes** (i.e. non-R&D innovation). In fact, it is clear from the N-NL Innovation Monitor (more details below)

and from other research that we need to adopt a **more integrated approach** if we aim to increase and broaden the innovation capacity of SMEs.

SME organisational innovation and **social innovation** are the main types of soft innovation dynamics we would like to focus on within the framework of this project. Furthermore, we consider that stimulating **connections and collaboration on these topics within the innovation ecosystem** (including SMEs, business networks, knowledge institutions and societal partners) might also contribute to foster and consolidate even further these soft innovation dynamics. In fact, in Passpartool TW1, it was recommended to facilitate the connection and learning between firms that have similar innovation levels or that seek the same novelty tier.

A challenge here is **how to reach and approach the target SMEs** –especially the ones that are on the base of the innovation competence ladder– if we aim to support them in a more effective way. Candidate SMEs are not usually aware of the instruments or find it difficult to apply for them.

With the purpose of better defining and making an effective use of the OP ERDF in this direction, **more detailed information is needed:** the motivation and needs of actors to engage in organisational innovation and social innovation, the obstacles that prevent effective interaction on these topics –in particular with societal partners–, and the possibilities for engaging in activities that contribute to the solution of SMEs organisational and social innovation challenges.

Much of the empirical evidence that currently lies at the core of the design of the OP ERDF support instruments is collected via the **NNL Innovation Monitor (NNIM).** This tool has established itself as the source for innovation data and research in the region. The results of this annual large-scale survey enables its two founders –the Northern Netherlands Alliance (SNN) and the University of Groningen (RUG)– to gain **deep insight into the SMEs innovation performance, competences and needs** and, thus, to better align innovation policies and design more effective subsidy instruments.

Given this policy context, this Action Plan should contribute to:

- **update and further enrich the Northern Netherlands Innovation Monitor (NNIM) to more effectively monitor and assess SMEs organisational innovation and social innovation within our region**. This could be achieved by including new questions to the survey that are able to better measure and monitor SMEs' organisational innovation and social innovation. With this detailed information, the new OP ERDF support instruments could be adjusted and improved in such a way that effectively respond to SMEs' actual needs and stimulate non-R&D innovation. It will also be easier to give advice on which subsidy scheme fits best according to SMEs individual data. Finally, we will get an improved tool for monitoring RIS3 and a better understanding of the effects of the OP ERDF on the implementation of the RIS3.

- **better understand the engagement and collaboration dynamics of SMEs and other societal partners on SME organisational innovation and social innovation.** This could be achieved by generating new relational spaces where we are able to develop an enhanced insight into the motivation of SMEs to interact with one another to foster social and organisational innovation, as well as into the issues they face that prevent them from effectively working collaboratively on these topics. This new information should contribute to further understand how to create (soft) innovation awareness among SMEs and to

establish a viable ecosystem that helps them to connect with each other and with other societal partners based on complementary skills and shared interests.

In sum, via this action, we aim to **gain a broader knowledge on how SMEs engage in non-R&D innovation dynamics** and, in turn, in a structural upward movement on the innovation competence ladder. The resulting insights will help **generate and activate new policy recommendations** that will lead to a more specific and better aligned set of instruments –within the OP ERDF framework– that address firms needs and effectively stimulate non-R&D innovation dynamics.

Part III – Details of the actions envisaged

ACTION 1

Name of the action: Update of the Northern Netherlands Innovation Monitor (NNIM) and development of a peer-learning table to monitor and assess SMEs organisational and social innovation

1. Relevance to the project

(please describe how this action derives from the project and in particular from the interregional exchange of experience. Where does the inspiration for this action come from?)

We have learnt from the Passpartool project that **non-R&D innovation** appears critical in an increasingly complex world. It is also seen as a key for promoting competitiveness of micro and small business. Both R&D and non-R&D activities may coexist and reinforce each other. Within our region, it is believed that most meaningful discoveries and innovations can be expected to take place in an open climate in which SMEs' soft innovation processes broaden and collaborative dynamics thrive.

In this Action Plan, we aim to focus on two types of soft innovation practices: **SMEs organisational innovation** and **social innovation.**

Drawing on the Passpartool TW1, we can define **SMEs organisational innovation** as the implementation of novel organisational methods affecting business practices, workplace organisation and the management of external relations. In this workshop it was revealed that SMEs can improve the economic returns of their innovation activity when they simultaneously introduce organisational innovation (i.e., alter the organisation setup and procedures). However, SME innovation is often less visible (due to the soft nature) and, therefore, more difficult to assess. Measuring the inputs and outputs of SMEs' organisational innovation can enrich the understanding of the regional innovation system.

On the other hand, **social innovations** have been argued as an alternative way to resolve market or state failures (or both) by fostering certain dynamics of social individuals and groups with the aim to create social welfare standards (European Commission, 2010). In Passpartool TW3, it was highlighted that measuring the rate and impact of social innovation is also important to assess the innovativeness of regions. However, the varying definitions of social innovation often lead to a variety of measurements that complicate the uniform monitoring and analysis of this type of innovation. The consequences and impacts of social innovations may also be underestimated as they are too broad or less visible.

In sum, one of the main learnings from this project is **the importance and complexity of measuring and analysing soft innovation activities** when we aim at developing effective policies to stimulate innovation dynamics beyond traditional R&D innovation. A key reflection was that "the ability to improve the effectiveness of social innovations –and policy making– is possible when the progress and success gets measured on multiple levels." (TW3, p.14).

In the N-NL region, one of the main priorities is, indeed, to address the common challenge of understanding how to measure non-R&D innovation. This mostly requires survey data and/or direct contact to organisations. With the purpose of addressing the challenge of collecting specific data on SMEs soft innovation, the first goal of this action is to **update the Northern Netherlands Innovation Monitor (NNIM)** in order to more effectively monitor and assess SMEs' organisational innovation and social innovation within our region.

The analysis of soft innovation can also help to **connect SMEs and other organisations** in meaningful ways. Research for the NNIM showed that collaborative thinking and acting in the N-NL is already present: about 20% of SMEs that engage in innovation collaborate within networks or innovation environments. However, most SMEs do not optimise their organisations towards collaboration and innovation. Thus, the second goal of this action is to contribute to address the common challenge of **understanding how to connect SMEs** such that they are willing to share information on their innovation interests and activities and, in turn, reinforce their innovation capacity.

Collaboration is key especially in social innovation. According to TW3, social entrepreneurs often require the active collaboration of business, government and other societal partners in the attempt to come up with effective solutions to social and environmental issues (often related to SDGs or region-specific societal goals).

According to the Passpartool TW1, developing monitoring systems and having channels to communicate with firms and stakeholders across the policy cycle appears as a precondition to articulate adequate policy instruments for non-R&D innovation. We expect that, with new insight on these topics, we will be able to **develop a better understanding** of the challenges related to these soft innovation dynamics of SMEs and **accordingly improve the new set of instruments linked to the OP ERDF** that aim at stimulating SME innovation capacity from a more integrated approach.

2. Good Practices that have inspired the action

A few **Good Practices** (GP) have jointly inspired this action:

- **Donegal's Local Enterprise office** (LEO) facilitates peer learning with a strong focus on enabling in-company innovation through shared learning and enhancing management skills

within the project ProfitNet. ProfiNet involves active engagement with and by owner/managers of small firms over a prolonged period and enables the development of close business-to-business relationships and business to support-agency relationships.

This GP has inspired the way in which we might use a peer-learning environment to reach new SMEs, gather new insight into SMEs engagement on softer innovation processes and, more especially, better understand the collaboration dynamics that might contribute to enhance SMEs innovation capacity. We intend to translate their facilitated **peer-learning network model** to suit our region. This is further explained in the next section on this Action Plan (step 3). The findings from the experience and evaluations of the Local Enterprise Office Donegal indicate that the programme is robust and produces strong business impact, because participating firms are engaged and actively reminded of their set tasks.

● Some aspects of the **Social Enterprise Plan GP** as presented by FUNDECYT also inspired this action, because it provides a way to **stimulate and consolidate social entrepreneurship**. Translating certain aspects of this GP to our region might help SMEs in optimising their organisation towards social and organisational innovation.

3. Nature of the action and steps for implementation

(*please precisely describe the content of action 1. What are the specific activities to be implemented?*)

STEP 1: Review and update of the questionnaire of the Northern Netherlands Innovation Monitor (NNIM)

In order to collect more evidence on the different aspects and challenges regarding organisational and social innovation in SMEs, we aim at **updating the questionnaire of the Northern Netherlands Innovation Monitor (NNIM)** by including questions related to identifying what those aspects and challenges exactly are.

As we mentioned before, much of the empirical evidence used in the design and adaptation of the OP ERDF instruments is collected via the NNIM**.** The engine of the NNIM is a **large-scale survey** that is carried out every year. This survey involves thousands of regional SMEs. The questionnaire is concise and understandable, which is crucial with regard to the response rate. The consolidation of multiple surveys into one bigger survey also contributed to increasing the engagement of SMEs to the NNIM.

The size of the survey is limited to fifty, mostly closed-ended questions. The majority of these questions are fixed –to be able to establish patterns– and the remainder of the questions are flexible. This allows the NNIM to **include specific themes in a particular year** (e.g. non-R&D innovation). Various themes have been addressed so far, for example external orientation, creativity and intellectual property. The Passpartool workshops suggested **a variety of measures** –such as organisational innovation, human capital or societal orientation– that could be used to assess the rate of (soft) innovation, the determinants of creation and development of (soft) innovation, and the impact of (soft) innovation on competitiveness and welfare.

The data collected from the NNIM is currently **used to monitor, adjust and improve the OP ERDF instruments, in an iterative process.** In fact, the NNIM has already been used to improve previous instruments to better suit the needs of the SMEs that make use of such instruments. As in the framework of this Action Plan we aim at developing effective policies to stimulate innovation dynamics beyond traditional R&D innovation, the NNIM can be used once again to measure and analyse organisational innovation and social innovation of the SMEs of our region. Measuring and making use of clever data analyses will allow to better understand SMEs behaviour, stimulate their innovation awareness, motivation and ability, and offer targeted and specialised feedback that respond to their actual needs.

The final goal is to further enrich this monitoring tool so that it consolidates its role in monitoring the RIS3 and the ERDF programme.

STEP 2: Mapping of the regional social and organisational innovation ecosystem

By looking closer into which organisations are currently partaking in social and/or organisational innovation —using the new data obtained via the NNIM—, we will be able to broaden our knowledge on the innovation ecosystem and to **identify potential SMEs and organisations** that might participate in a future 'peer-learning table'. As we will further explain in Step 3, this peer-learning environment will allow us to gather deeper information on SMEs' motivations, needs and difficulties related to organisational and social innovation challenges.

The **mapping of the regional social and organisational innovation ecosystem** will also allow us to detect and reach new SMEs that have not been supported by the OP ERDF yet. By identifying new SMEs that could potentially benefit from the OP ERDF instruments, the effectiveness of the policy instrument might be further increased.

A possible way to find access to new SMEs is through **establishing contact with specific networks**. Rather than taking a one-directional communication approach, it is important to approach those places where SMEs are active and present, in order to understand their needs and adapt the instruments thereafter. When new specific networks are identified –or even created–, it is easier to target specific support to them and make an even more effective use of the OP ERDF. LEO's good practice might inspire this step of the Action Plan.

STEP 3: Design and organisation of a peer-learning table

The **peer-learning table** would be a new concept within our region and will abet the development of a more systematic engagement of organisations on soft innovation dynamics. The main outcome of this step is to gain deeper insight into the main aspects and challenges for actors to find solutions for organisational and social innovation challenges. In comparison with the information collected through the NNIM, the peer-learning table will allow us to gather more qualitative data than the survey, as well as to better understand the diverse perspectives of the participants. As it was mentioned in Passpartool TW1, having channels to communicate with firms

and stakeholders across the policy cycle appears as a precondition to adequately articulate policy instruments for non-R&D innovation.

Thanks to the peer-learning table, the policy instrument will draw on even more detailed evidence to **define, develop and adapt the set of SME-support instruments** aimed at stimulating the upward movement in the innovation competence ladder through non-R&D innovation strategies. In case the peer-learning table became an effective space for collecting new evidence and stimulating systematic collaboration among the partners involved, this new structural moment in time could be connected, in the long term, to the NNIM.

This step is where our action plan will mainly take inspiration from LEO's good practice. During **the study exchange with LEO in May 2022**, we aim to gain more detailed insights into their approach to SMEs and organisational innovation in order to further work out how to translate that approach to our own region. Certain aspects of their facilitated peer-learning network model will be at the base of our peer-learning table.

ITERATIVE STEP: Cycles of instrument adjustment

During the implementation of the Action Plan, we will be working on the **development of new subsidy instruments within the OP ERDF framework.** As mentioned before, one of the biggest challenges for the ERDF 2021-2027 programme is to help SMEs climb the so-called innovation competence ladder through the development of a coherent package of (subsidy) opportunities. This set of instruments will aim at increasing SMEs' innovation capacity by also stimulating non-R&D innovation dynamics (e.g. organisational innovation, social innovation, systematic collaboration, etc.)

Data analysis from the collected input from the updated questionnaire of the NNIM and the peer-learning table should allow for a closer monitoring of the motivation as well as challenges for actors within the field. This will help us to **continuously identify potential adjustments to the SME-support instruments funded by the OP ERDF** to better adapt to the needs of their beneficiaries. Some of these adjustments –e.g. changes in content, positioning, functioning, integration with other funding, etc.– will be **validated by SNN** as the managing authority of the policy instrument and **integrated in the specific instruments** by the Programme Management team within the timeframe of this Action Plan.

These **iterative cycles** of design-adjustment of the support instruments will result in a direct **improvement of the functioning and effectiveness of the main policy instrument** (OP ERDF), as well as the NNIM as a monitor tool.

In sum, via this action, we aim to gain a broader knowledge on how to engage SMEs, through non-R&D innovation dynamics, in a structural upward movement on the innovation competence ladder; and initiate new cycles of instrument adjustment in order to integrate the improvements that draw on this information and, in turn, better support soft innovation within the OP ERDF context.

4. Stakeholders involved

We have selected multiple stakeholders that will be involved with this action, either in its design or as a 'user' of, for instance, the peer learning table.

- **University of Groningen:** Collaborate in the update of the NNIM questionnaire

- **NNIM strategic partners:** The several stakeholders that are involved as strategic partners of the NNIM can also be determinant for this action. These partners include the regional branch of the employer's federation, the regional SMEs association and the regional development agency.

- **(Innovation) networks and environments:** They can provide us with valuable input for the questionnaire and help with the design of the peer-learning table. They might also be part of the group that will benefit from and be part of the peer-learning table.

- **SNN ERDF-frontrunners:** A group of colleagues from SNN from the subsidy teams that are the current 'frontrunners' when it comes to working with our new ERDF programme. Their perspective is of importance in the development of the new instruments.

- **RIS3 focus group:** Another important stakeholder in the new ERDF programme and important for the development of this action.

- **Societal impact stakeholder group:** With their knowledge on societal impact, they might contribute and be of benefit for all the social innovation aspects of the action.

- **Local first-line organisations:** They are our link to the local SMEs that we want to get in touch with and have knowledge on the challenges and motivations of the SMEs within the region.

5. Risks and mitigation strategy of the action

We have developed a timeline in accordance with the timeframe for phase 2. Active engagement from the start and strict time management is our main strategy to help mitigate the risks imposed by the short timeframe.

With regard to the mapping of the social and organisational innovation ecosystem, it is planned to be developed before the peer-learning table so that we can have a clear overview of the current situation of our region. In case the workload of this step turns out to be greater than what is expected, the organisation of the peer-learning table will not be jeopardised by this fact, as the table could be implemented even if the ecosystem map is not totally complete. This mitigation strategy will allow for a quick start of the peer-learning table process parallel to further exploring the innovation ecosystem. We foresee the possibility of adding new actors to the group of peers later on in the process, if needed.

6. Timeframe

Between August 2022 and July 2023 we will assure the implementation of the activities envisaged in the Action Plan and monitor the achieved results:

- **Aug 2022 – Feb 2023:** Update of the Northern Netherlands Innovation Monitor (NNIM);

- **Aug 2022 – Oct 2022:** Mapping of regional social and organisational innovation ecosystem;

- **Sep 2022 – Jan 2023:** Design and development of new set of instruments linked to OP ERDF (1st cycle of instrument adjustment);

- **Oct 2022 – July 2023:** Development and implementation of the peer-learning table;

- **Jan 2023:** Opening of first newly-developed instruments;

- **Mar 2023- Jun 2023:** Data collection from the new version of NNIM;

- **May 2023:** Data collection from the newly-developed instruments;

- **June 2023 – July 2023:** Evaluation and improvement of the policy instrument (2nd cycle of instrument adjustment).

	2022					**2023**						
	Aug	Sep	Oct	Nov	Des	Jan	Feb	Mar	Apr	May	Jun	Jul
Update of NNIM	■	■	■	■	■	■	■					
Mapping of ecosystem	■	■	■									
Peer learning table			■	■	■	■	■	■	■	■	■	■
Cycles of instrument adjustment		■	■	■	■	■		■	■	■	■	■

Key:

- ■ Step 1
- ■ Step 2
- ■ Step 3
- ■ Iterative step

7. Indicative costs

The above action plan requires roughly 95.000 euros for the one year duration of this phase. This includes:

- Staff costs   45.000 euros
- External experts   25.000 euros
- Organisational costs 25.000 euros

8. Indicative funding sources

The funding derives from SNN's own resources. This PASSPARTOOL Action Plan will be implemented under the full responsibility of the Northern Netherlands Alliance (SNN). SNN is an alliance of the three most northern provinces of the Netherlands. SNN is responsible for RIS3 and is a managing authority for the ERDF Operational Program for the Northern Netherlands.

Date: 6 July 2022

Name of the organisation(s): Northern Netherlands Alliance (SNN)

Signature(s) of representative of the relevant organisation(s):