



Response to Public Consultation:
Interim evaluation of the European
Institute of Innovation and Technology
(EIT)

Insight Foresight Institute (IFI)

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1. Introduction

The EIT is part of Europe's most recent efforts to change entrepreneurial innovation policies into successful practices. The EIT exemplifies an experimental shift from today's EU-level interventions and current emphasis focused on trans-national collaborative projects (in R&D) towards a new paradigm in fostering Pan-European entrepreneurial innovation ecosystems that stresses human capital and attitudes through enabling innovation spaces. The EIT offers an opportunity to learn from European innovation policy experiment to promote the formation of inter-connected local entrepreneurial innovation ecosystems and to innovation in policy more generally in connection with European Union practice. The following constructive remarks are a set of pointers suggesting specific key areas for further progress.

Insights

1. KICs are experiments in process to foster Entrepreneurial Ecosystems: exploiting 'localised contexts' (CLCs) where innovation happens. This is what we observe in the world, i.e. given 'hot spots', 'clusters' or 'milieu' which then generate spill overs whose pace is determined by their global connections. One could argue why don't we have this in Europe? The answer is that we do, but it is harder to perceive them as we lack an identity and culture. However, Europe's 'related variety' and 'social model' could be turned into a competitive advantage if this is properly orchestrated and reaching out to the world through vibrant places in the US and Asia, not only to narrow the innovation gap, but maybe also to leap frog through responsible research and innovation.
2. Interconnections among CLCs, facilitated by virtual, people, partner and business linkages can help achieve 'critical mass'. KICs are 'tentative governance' set up of joint ventures and literature shows these schemes have mixed histories. Literature and evidence gathered over several decades show that 'strategic technology partnerships' tend to 'plato' even decline, they don't evolve into mergers and acquisitions (M&A). In this connection, it would be interesting to assess how KICs evolve as business-like organisations.
3. Whether the legal and management set up adopted (i.e. KIC as legal entities and managed by a CEO with unprecedented distributional power) would ultimately fit the diversity and dynamics in each KIC remains to be seen. On the other hand, 'too large' communities risk losing the focus and the need for compromises increases, typically resulting in more process innovation than radical/disruptive. Easing participation beyond partners is certainly key.

Demand

4. What we know from innovation theory is that users and markets play an incredibly important role in innovation. Communities should articulate 'needs' since 'emulating success' in technology comes typically too late or too slow. For instance Google captures users, not technology. How can Europe compete? We don't need a research 'excellent' engine but federating markets combined with related variety for 'relevance': the Single Market could be amongst the most important contributions to a future European Innovation Policy.
5. Role of civil society could be further engaged in the KICs, e.g. inter-generational, NGOs, beyond technological innovation in order to secure a wider social 'legitimacy' considering the negative side of innovation as an opportunity to spur new value: EIT reflects too much an emphasis on growth and jobs in the language ('business', 'business plans', 'business models'), less on sustainable sources of public value overall which Europe is and must champion.
6. Some challenges are systemic, beyond the remit of the KICs themselves as well as the EIT overall requiring regulation at EU and national levels. Here, there is clearly room for cooperation with the 'European Innovation Partnerships' where regulators meet as they can create more favourable conditions for KICs activities to scale (Granieri and Renda, 2012).

Dynamics

7. To what extent the EIT is a step forward for Europe? Too many initiatives in the past have followed a 'me too' approach, with the result that when Europe tries to position itself it is already late (ref. Servan-Schreiber, J-J., *Le défi américain*, 1968) What societal challenges mean for the EIT is uneven, as well as what success means for the KICs: measures of success should be different.
8. KICs aim at standing, starting and scaling up business (WEF, 2014) through its pillar activities in education, entrepreneurship and research/innovation thus creating 'seamless support webs' supporting people-driven innovation. But while the budget to R&D for the KICs is growing, the link between R&D and scaling up business is unclear. Start-ups and spin-off should take a more visible share in R&D projects with KICs partners.
9. The rationale for a European intervention through EIT requires at least part of the resulting innovations to effectively become world-class/new to the world. The 'clusters of innovation' framework (Engels, 2014) stresses how an early 'born global' culture is critically important and KICs should develop much more aggressive global strategies.

Learnings

10. Adequate value-for-money remains to be seen if not uncertain in the longer run. In offsetting larger and larger KIC partnerships, both direct and indirect results at EIT level becomes key, thus generating benefits for stakeholders and citizens across Europe thus beyond KIC partners themselves. Monitoring of direct outputs from KICs as well practices for dissemination is a must.
11. Building upon monitoring of direct outputs and co-created practices, a strong evaluation program should be put in place willingly with all KICs actively involved, cross-fertilizing complementary techniques and methodologies. Policy learning about promising innovation models, behavioural additionality and how 'signalling' works in practice with rivals may be relevant contributions.
12. To what extent 'open innovation' can be practiced collaboratively within KIC partnerships as they are participated by large incumbent companies and competitors remains an area of inquiry for EIT.

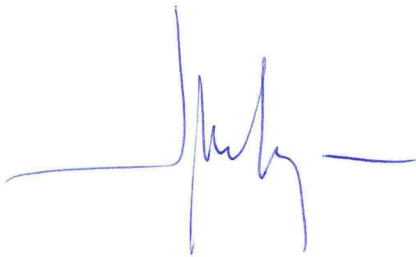
Perspectives

13. On the positive side, EIT vs. KICs are institutional innovations (though not every novelty turns out being an innovation); and the aggregate set with hundreds of excellent partners from across Europe make the overall enterprise a unique learning space for co-creation and experimentation. Research on governance, management and content is itself a relevant area where EIT could further knowledge on more effective and efficient new innovation approaches.
14. A second area of research concerns the organisational dimension of the KICs, assessing the rationale of each KICs existence vs. its corresponding dynamics on the one hand, as well as to assess the ratio of public to partners' value each KIC may ultimately achieve on the other. The division of power and control between the EIT and the KICs needs to be reset.
15. How to evaluate KICs remains to be defined and hence spelling out clear criteria of their success, as a combination of direct impact from KIC outputs plus induced changes from their models.

Summary

16. KICs have still to demonstrate their ability to accelerate the pan-European growth of new start-ups, making at least some new-to-the world successful cases; it will require a strong interaction between CLCs to fulfil their role in the European innovation landscape in accessing knowledge, markets, finance, talent, etc if KICs are to articulate true inter-connected ecosystems (Isenberg, 2011) able to position Europe more successfully in the world.

17. Furthermore, the sustainability of KICs after the seven years commitment is an open debate as their theme and dynamics will dictate to what extent and when this is feasible (ECA, 2016). Much more effort is needed to attract investments and to give their individual activities (e.g. master or doctorate programmes) enough interest to survive and develop by themselves. The three first KICs are entering into the second part of their EIT support mandate and visible outcomes are needed; alternatively redesign KICs to a logic closer to that of the CLCs i.e. the 'Cluster EIT' model put forward and a second generation of KICs.
18. Breznitz and Ornston (2013) note that radical policy innovation is more likely to occur at the periphery of the governance structures, in low-profile agencies with relatively few hard resources and limited political prestige, less vulnerable to political interference. At the European-level, the EIT can be considered only partly to meet such conditions, especially because the EIT was proposed by former President Barroso and this created high expectations leading to risk averse governance sometimes over innovation and experimentation. Hence, with hindsight, similar kind of initiatives could benefit from some more distance to political spheres and from higher autonomy to operate.



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N.B. A worth reading reference is (Tindemans and Soete, 2007), whereby a 'hybrid model' for EIT with manageable number of partners per KIC was proposed, in between the initial fully centralised EIT/KIC and the adopted fully decentralised EIT/KIC model actually implemented: a so-called 'Cluster EIT' model for the KICs would mean splitting too large KICs into more numerous but smaller KICs 2.0 closer to the logic of Co-Location Centres. KICs 2.0 would capture local nature of knowledge, reduce KIC 1.0 overheads and re-set collaboration and competition at EIT level. In addition, the report

proposed a 'European Innovation Fund', which somehow reminds of the 'European Strategic Investment Fund' (ESIF). As the mid-term evaluation foreseen in the Horizon 2020 context approaches, it would be interesting and appropriate for the EIT and KICs to courageously self-evaluate progress and achievements in advance. IFI fully supports the Commission to carry out an independent assessment that would greatly benefit from inputs from all three Knowledge Triangle competent Directorate Generals and observers in the Governing Board, thus recreating balance and providing expertise.

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