## **Case #3: SME Innovation and Digital Transformation**

**Context and needs**

In Greece, SMEs account for 97.4% of enterprises, which is higher than the EU average. However, most of these firms are very small, with limited capacity for innovation, low productivity and a weak international presence. According to the Digital Economy and Society Index (DESI), Greece ranked 27th out of the 28 EU member states in 2020, 24th in terms of digital technology integration by businesses and 27th for digital public services, despite the progress made.

Although domestic research centres and universities perform well, for example through their active participation in the HORIZON 2020 programme, the weak integration of innovation into the economy and the limited application of research findings in production restrict the proportion of high-value products in total output. This is reflected in Greece's employment indicator for high-growth enterprises in innovative sectors, which stands at 2.5 compared with the EU average of 5.2.

Recognizing the need for a closer link between the Research & Innovation system and entrepreneurship, Greece has adopted a new target to increase R&D expenditure to 1.81% of GDP by 2030 (from 1.18% in 2018), with the business expenditure component rising to 86% (from 50% in 2018). The Smart Specialization Strategy and entrepreneurial discovery process will act as catalysts for developing diversified products and services, adopting innovations, participating in global value chains, and moving the domestic production base up the technological frontier.

Past evaluations have revealed several shortcomings, including limited outreach to micro-enterprises, a weak ability to translate research outputs into market-ready products, uneven participation in training and a persistent digital divide, particularly in traditional sectors.

**The interventions**

Drawing inspiration from some Greek programmes, we propose a set of interventions to support SMEs, which will form the basis of the working groups. You can imagine a regional programme with resources totalling EUR 900 million, of which EUR 270 million is allocated to SME interventions. These interventions are:

* **Subsidies for innovative investments**: up to 65% of investment costs for micro and small businesses (for projects between €30,000 and €200,000). This intervention accounts for EUR 130 million.
* **Financing an Innovation Centre(s)**: Fostering collaboration between SMEs and research institutions through a range of SME-targeted services (such as innovation management and design consulting and coaching, innovation hub infrastructure provision, and networking opportunities). This intervention accounts for EUR 50 million.
* **Funding for digital transformation assistance**, including direct financing for the purchase of ICT solutions and cybersecurity services, as well as innovative business processes linked to the introduction of new ICT solutions. This intervention accounts for EUR 40 million.
* **In-house training**: ESF-funded training tailored to the needs of SMEs. This intervention accounts for EUR 50 million and comprises:
  + training cycles (up to three employees per SME per cycle), organised by a high-level provider and focusing on digital and innovation skills;
  + Grants of up to €10,000 for SMEs wishing to train their employees.

### **Groupwork #1 – Scoping the evaluation**

The purpose of this session is to simulate the preparation of an evaluation on a programme supporting SMEs. This exercise requires to discuss and decide on the scope of the evaluation using a logic analysis of the interventions.

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| **Using programme theory/intervention logics to orientate**  In any sector, scoping an evaluation and deciding on the focus and unit of analysis for an evaluation poses many challenges. What should be included? Which actions? Where to draw the boundaries? What is the focus? Should elements of neighbouring or overlapping actions and programmes should be included? A valuable ‘map’ for programme managers and evaluators to orientate this stage is a preliminary ‘programme theory’ (or intervention logic). At this early stage we do not expect a more elaborate ‘theory of change’ outlining how an intervention or policy works and why. However, we should be able to depend on a more straightforward programme theory that summarises the assumptions of policy-makers and policy designers about how an investment, a technical assistance and reinforcement of skills is expected to contribute to policy objectives. If even a basic programme theory has already been developed this can be a useful ‘map’ for those scoping an evaluation, if no such map exists, the scoping stage of an evaluation can be an opportunity to start outlining at least a basic set of assumptions. |

The Evaluation plan foresees that the interventions for SMEs are evaluated in 2027 and you have to prepare this evaluation. In particular, you must identify the evaluation objectives, scope (what specifically will be evaluated?) and the unit of analysis (at the level of what actor, place, sector, measure?)

The first step in preparing the evaluation is collecting information on the interventions under examination.

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| Please, specify here the main information that you want to collect and the reason for doing so.  **Main information sources:**   * Operational & Financial Data (National MIS) * Past Evaluations * Workforce Registry (ERGANI) * Cross Sector & Thematic Reports * ELSTAT – Regional Accounts * National Documentation Centre – R&D Data * Horizontal Reports (OECD – World Bank) * Existing & Updated SWOT analyses (horizontal or per sector) * General Commercial Register (GEMI) * Independent Authority for Public Revenue   A significant range of data was used to answer the evaluation questions, which included key documents (all editions of the ROPs and their annual reports, regional smart specialization strategies, ROP interim evaluation texts, Call for Proposals texts, etc.), operational data of the actions from the MIS/NSRF, the PSKE and the Intermediate Management Services of the Programs, structured interviews with the thirteen Intermediate Management Services and/or the Management and Monitoring Bodies of the RIS3, an electronic field survey addressed to the beneficiaries of the actions, a results validation seminar, and official statistical data from Eurostat, ELSTAT, and the National Documentation Center. |

The **second step** concerns the identification of the different actors involved in these interventions, whether in its design, delivery or in its implementation. *This table could be useful to better understand how the programme for SMEs is working and for whom. These are probably the actors that you will need to contact for the evaluation.*

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| **Policy instrument (intervention)** | **Institutions or groups involved in design and delivery** | **Actors or groups targeted by the intervention** | **Actors not directly targeted but involved in the implementation** | **Actors not directly targeted but ultimately benefitting or losing from the programme** |
| **1** | Competent Ministries  Regional authorities  Regional / National Council for R&I (PSEK / ESEK), GSRI  Intermediary Agencies (EFEPAE) | SMEs | Market: Chambers, Associations, Federations  Private firms, tech Providers, . Consultants, sub-contractors | Consumers  Other SMEs  Employees |
| **2** | Research Institutes & Universities  Competent Ministries  Regional authorities  Regional / National Council for R&I (PSEK / ESEK)  GSRI | SMEs  Academia | Research centres and researchers | The R&D ecosystem,  Consumers  Other SMEs |
| **3** | Competent Ministries  Regional authorities  Regional / National Council for R&I (PSEK / ESEK)  Intermediary Agencies | SMEs | Market: Chambers, Associations, Federations  Private firms, tech Providers, Consultants | Consumers  Other SMEs  Employees |
| **4** | Competent Ministries  Regional authorities  SMEs | SMEs  Vocational Centres  Employees | Vocational Centres | Employee Families  Broader effect on workforce unions  Broader effect on non-participating SME’s and the market in general, due to worker’s mobility |

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| List here other stakeholders (organisations or persons) who might be interested by the interventions and the results of this evaluation. In particular, pay attention to the persons or organisations that might be involved in the evaluation steering committee and/or be among the future users of the evaluation.   * Market: Chambers, associations, federations, banks, business angels, incubators, etc * Decision Makers, Administration * General Public * Press / Influencers * Research Ecosystem |

The **third step** is to identify the expected success of the different target groups or actors. To clarify the main focus of the evaluation, you need to clarify what criteria should be used to judge success. You consider the positive outcomes expected for the aforementioned target groups or individuals who are expected to benefit from the programme. You also need to consider the situations that could hinder or facilitate the success of the interventions.

*You can use the following table to make initial notes on the success criteria and the influence of external factors.*

| **Intervention** | **Actor(s)** | **Success criteria** | **Possible enabling conditions or obstacles** |
| --- | --- | --- | --- |
| 1 | SMEs | GVA Rise,  New products  New markets  Extroversion  New investments  Increased production & revenue cycle | Stability in economy  Access to funding  Workforce skills  Timing of intervention  Overlaps with other parallel interventions  Access to information |
| 2 | SMEs | New projects  New synergies  New start-ups  New products | Stability in economy  Access to funding  Workforce skills  Collaboration culture  Timing of intervention  Overlaps with other parallel interventions  Access to information |
| Universities & Research Centres | New synergies  New spin-offs  Citations |
| 3 | SMEs | GVA Rise,  New products developed  Extroversion, new investments and new market penetration  Increased cycle  Value of digital services, products and processes developed for enterprises  Enterprises reaching high digital intensity  Users of new and upgraded digital services, products and processes developed by enterprises | Stability in economy  Competent Providers  Access to funding  Workforce skills  Timing of intervention  Overlaps with other parallel interventions  Access to information |
| 4 | SMEs | Productivity  New products  New markets | R&D Culture  Competent Providers |
| Employees | Certified new skills  Completed training sessions  New job opportunities  Increased income  improved labour market situation for the trained employees | R&D Culture  Keen to acquire new skills |

The **fourth step** is to define the scope of the evaluation. There are many options that could be considered with regard to the unit of analysis or the scope of the evaluation. The following are just a few examples; there will be many more.

One option would be to align evaluation with different Funds, especially if one was to prioritise efficiency, accountability and value-for-money. On the other hand many interventions for SMEs are co-funded by ESF+ and ERDF and inevitably interact. Another option would be to focus on specific ‘interventions’ as major investments or policy innovation justify highly focused evaluations.

Often interventions difficult to evaluate separately are those that are explicitly designed to have synergistic effects. For example, in this case you can think about the combination of training with new investments or links to the research centre. There is therefore a strong logic to focus on the interdependencies between interventions although there may also be aspects of each of these interventions that need to be assessed separately.

*Given the above reflections, please, use the following table what is the focus of the evaluation on SMEs? what should be the scope and unit of analysis for this evaluation? And what are the main actors to involve in the preparation of the ToR to finalise the evaluation questions?*

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| Main objectives and focus of the evaluation | Competitiveness, extroversion, Capacity Building, Sustainability, New synergies, Market-oriented R&D, digital intensity |
| The main unit of analysis (e.g. components of the programme, sectors or targets, territories, etc.) | At sector level (possibly the RiS3 sectors, National / Regional) |
| Main synergies and interactions between actors to consider | * 4- Helix: Academia & Market to seek appropriate collaboration and solve production problems via research. * Market & Vocational Centres: Fine Tune capacity needs and deliver appropriate trainings * Market and Mas: Optimise timing of calls |
| The main actors to involve to refine the evaluation questions | MAs, Monitoring Committee, regional /. National Councils for Innovation, Experts in the field |

### **Groupwork #2 - Evaluation questions**

You have presented your initial work to your colleagues and asked some potential users of your evaluation for feedback. Two main concerns have emerged from your consultations:

1. **Low uptake by smaller and micro-enterprises**, they do not participate as expected in all the interventions.
2. **The research centre has collaborated with numerous research institutions, but has struggled to engage with SMEs**. Matching the research supply with the innovation demand appears to be more complex than expected.

In the **first step**, you start by listing the conditions which may explain the results observed. Try also to clarify what actors are concerned by these conditions.

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| Low uptake by smaller and micro-enterprises   * Limited Capacities * Risk aversion (as per the time or capital to be invested) * Perception of low added value * Administrative Burdens / Bureaucracy * Lack of information * Call terms or Timing do not fit their needs.   The research centre struggled to engage with SMEs.   * Lack of strategic synergies or permanent links with the market * Lack of culture / mentality to carry out market-oriented research * Administrative barriers / legal issues (eg unclear procedure for royalties / patents) |

In the **second step**, address the two concerns by asking one or more evaluation questions. The questions should derive from the above considerations and help you to:

1) assess the results of the programme,

2) identify the conditions for the programme’s success or failure,

3) provide information that could be useful for improving the programme in future.

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| *Please, list here the evaluation questions and check if you must revise the scope and the unit of analysis defined in the previous groupwork*   * How relevant is the intervention to the stakeholders’ (SMEs, Research Centers) needs? Does it respect their capacities, view and expectations? * What were the main obstacles, preventing their engagement in the schemes? * What is the state of play of selected operations (quantitative / qualitative assessment) |

In the **third step**, you should consider the information required to answer these questions. Also consider the approaches, methods or tools you could use to retrieve and interpret this information according to the evaluation objectives.

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| *Please, list here the needed information and the related methods to collect them.*   * Surveys – Interviews:   + State of play   + Success Stories & Lessons Learned   + Failures – Missed opportunities – Unfulfilled expectations. * Info from SMEs not participating / not completing the project successfully (through questionnaires). Examine:   + Reasons / Barriers   + Suggestions * Info about the Information & Dissemination processes regarding the call:   + Main channels   + Outreach   + Ease of access |

**Groupwork #3 - Identifying potential quality issues**

Since this evaluability assessment, your colleagues have issued the Terms of Reference for the evaluation. The ToR clarified the scope of the evaluation and the most important issues to be investigated. The evaluation questions have been refined to better align with the interests of the various stakeholders involved in the programme.

Since then, Company XYZ has been commissioned to carry out the evaluation. During the evaluation, you have encountered a number of issues. Rather than dealing with these issues individually, your department has decided to set up a community of practice with other evaluators to better address quality issues.

To achieve this, you use the ‘[What if?](https://quadrant-conseil.fr/ressources/outils/cards_whatif.pdf)’ deck of card. Each person in your group selects three cards. The cards briefly present a quality issue. For each card, ask yourselves:

* What should I do in this specific situation?
* What can be done in the future to prevent this from happening?

In the **first step** of the workgroup, discuss this with the group and take notes of your reflections below.

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| ***Scenario #1: At the inception meeting a stakeholder says the evaluation will not be credible because the evaluation team has ‘undocumented conflicts of interest***  *What should I do in this specific situation?*  Verify if conflict exists  If minor -> seek for immediate solutions  If major-> consider terminating the contract  *What can be done in the future to prevent this from happening?*  All proposers are a priori required to sign a declaration regarding the absence of any conflicts of interest.  ***Scenario #2: The evaluation team is not clearly spelling out the concepts or models which are used or is using an inappropriate approach***  *What should I do in this specific situation?*   * Ask for clarifications * Ask for revisions * Delay the endorsement of the Inception Report until fixed * Examine if the contractor has actually the capacity to deliver what has been promised in the proposal * Negotiate for revisions, taking care not to violate the terms of the call and principles of equal opportunities among proposers (eg incur significant rise in overall budget that would have normally led to the rejection of the proposal)   *What can be done in the future to prevent this from happening?*   * Clarify expectation during relevant stakeholders’ meeting prior to the launch of the call, during its pre-publication phase * Understand the evaluator methodology at the beginning of the study   ***Scenario #3: The report contains ‘promising’ figures that our administration wants to use in future communication, but the sources and references are not clearly spelled out***  *What should I do in this specific situation?*   * Ask for evidence (data, figures) * Examine validity of data sources/ask the stakeholders’ opinion/suggestions * Ask for clarifications regarding the methodology used * Triangulate data where possible   *What can be done in the future to prevent this from happening?*   * Ask contractors to utilise data from official sources – a relevant national and regional registry already exists, through MoUs * Ask contractors to specify in detail the methodology for surveys, ep. of qualitative nature * Ask contractors for the structure of the final report |

The discussions with the community of practice have prompted a desire to address some deeper issues affecting the quality and ‘usability’ of the evaluations that are commissioned by your administration. An internal study on these questions is launched in your department.

In the **second step**, please identify what are your main concerns about quality and usability.

*Use the table below to summarise your points according to 4 main possible issues.*

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| ***Capacity issues***  *Is there enough methodological / substantive expertise available in-house? And in the market among the evaluators?*  Capacities have been built following a 25 years’ experience of the MAs in the evaluation of their relevant programmes.  The relevant service providers (experts / evaluators) constitute a relatively small market, which, nevertheless, demonstrates adequate capacities to undertake the evaluation of programmes. | ***Available tools***  *What are the tools (checklists, templates…) that are available in-house to ensure quality? How adequate are they? Others may be needed?*  The National Authorities provide guidance and IT tools to facilitate the evaluation of programmes in each PP  Synergies with the EC services are also required to stay up to date with the state of the art tools utilised on a case-by-case manner.  At the procurement procedure there is the stage of assessment of the contractor suitability / experience / competence, etc. |
| ***Administrative processes***  *What mechanisms exist to anticipate quality issues (e.g. preliminary studies, consultation of stakeholders) or to address them (e.g. crisis resolution, negotiations)? Are they working well?*  Consultation with the stakeholders, including the national and regional authorities and representatives of the quadruple helix take place ad hoc and through the Monitoring Committee meetings, as appropriate.  They appear to work well – no major issues have emerged thus far, after the completion of 3 PPs. | ***Shared culture and vision***  *Is there an agreement on what constitutes quality and how to improve it within the administration, the evaluators and among policy actors?*  Quality criteria are shared among the national and regional authorities through the relevant Evaluation Network Meetings.  Relevant guidance is provided via the National authorities to all stakeholders.  The National Evaluation Association is a relatively new scheme, trying to formalise the documentation and use of the relevant criteria |

**Groupwork #4 - Strategies for evaluation use**

Below are some ‘scenarios’ of evaluation use. You discuss these scenarios with your group. What would you do? How could you better address this situation in the future?

**Scenario 1**: The Ministry requests preliminary findings in order to redesign the SME innovation calls. The evaluation team must strike a balance between timeliness and reliability.

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| *What would you do?*   * Use reliable / checked data only * Negotiate (if not already foreseen in the contract) for the production of a relevant ad hoc report, The ad hoc report should explicitly state all the limitations / assumptions of the evaluation regarding the state of play and the timing of the evaluation. * Incorporate facts, no perceptions, expert opinions or assumptions |

**Scenario 2:** The evaluation shows that SMEs face barriers when accessing innovation hub services due to the complexity of the rules. While this is outside the evaluator’s remit, it can be used to activate key actors.

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| *What would you do?*   * If the issue is manageable (eg due to internal rules of the Hub) : Call technical meetings with stakeholders, Hub, SMEs and evaluator. Present obstacles and try to resolve the issue * If broader (eg law on patents, royalties, state aid obstacles): competent ministry involvement |

**Scenario 3:** The evaluation distinguishes impacts between SMEs that are digitally weak and those that are innovation-ready and have a highly skilled workforce. This requires improving programme coherence and the efficiency of the policy instruments.

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| *What would you do?*   * Examine the possibility of re-prioritising interventions. Focus on interventions 3 and 4 at first or launch a separate invitation for smaller SMEs, again focusing on intervention components 3 and 4, to ensure development of ICT capacities and relevant workforce skills * If broader changes are required (e.g. introduction of a new SO or programme revision→ consultation with National authorities and EC services. |