

## Evaluation of Business Finland's innovation voucher – impact review

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**The RDI activity of small companies has been minimal in Finland. The innovation voucher aims to activate the RDI activities of small companies and develop their business and competitive ability.**

Business Finland's innovation voucher is intended for SMEs that have a new product or service idea with international growth potential and for which the company needs external know-how to help develop the idea further. The innovation voucher was introduced in 2016 and can be used to buy new knowledge and know-how for the company. At the level of innovation policy, the purpose of the innovation voucher is to activate and launch the RDI activities of micro-enterprises and small and medium-sized enterprises. The RDI activities of these companies have generally been minimal in previous years. Another important goal of the innovation voucher is to bring new customers into the scope of Business Finland's services and to increase these customers' understanding of the services it provides. In 2022, the value of the innovation voucher was 5 000 euros and 100% of the value-added tax-free amount of the purchased services (the VAT on the service is the part paid by the company receiving the voucher). The innovation voucher can be used to engage different types of service providers, including private consultants, universities, universities of applied sciences and research institutes.

The goal of this evaluation has been to produce an impact review which presents answers to the question in respect of how companies have used the innovation voucher to bring new product or service ideas with international growth potential to the market and what kinds of effects the voucher has had on such companies' RDI activities and business development. In addition, the goal has been to examine how the private service sector has developed with the help of the innovation voucher. As part of the evaluation, interviews were conducted with experts in the subject area in addition to the undertaking of document analyses, surveys to companies that used innovation vouchers and surveys to service providers, econometric analyses with financial statement data on innovation voucher users, descriptive statistical analyses with project and funding data from Business Finland and various case studies. The evaluation was implemented during the summer and autumn of 2022 and was carried out by MDI Public Oy and Melkior.

In the period 2016-2022, a total of 8 223 companies received the Innovation Voucher, with approximately 51 million euros in funding being granted. Of the companies that received the voucher, 94% were new customers, i.e., companies that received funding from Business Finland for the first time. The innovation voucher has therefore brought several thousand new SMEs within the scope of Business Finland's services.

**The innovation voucher has brought several thousand new companies as Business Finland customers**

The innovation voucher has clearly proved to have been a necessary instrument. It has proven particularly important for smaller companies not previously active in R&D activities, giving them incentives to launch RDI-actions. The key thing here is that the instrument is agile and enables experiments with a low threshold thus promoting the acquisition of new knowledge/skills. The innovation voucher's clear strengths are its easy use for the customer and the relatively light administrative burden for Business Finland.

The instrument has also been extensively utilised which amply illustrates the level of demand for it. As a tool for customer acquisition, the innovation voucher has brought many new companies into Business Finland's services. However, the ongoing challenge here is that customers only rarely continue RDI-actions using Business Finland's other instruments and services after initial use of the innovation voucher. Less than a fifth of the companies using the voucher continue to use Business Finland's other services thereafter and even fewer in terms of the actual RDI instruments.

**The Business Finland customerships started with the innovation voucher have only rarely developed into continuous ones**

There are several reasons for this. Currently, the criteria for obtaining an innovation voucher are de-fined as quite broadly and funding is given also to under-resourced companies and immature ideas. In addition, the innovation voucher project does not require a plan in terms of how the RDI work will be continued after its initiation. For many users of the innovation voucher, there is no understanding, or plan, of how the process could be continued using other instruments. As such, many service providers and client companies do not have a strong interest in, or incentive to, continue the R&D process. In terms of the instrument's effectiveness, it is worth considering whether it should still be granted at such a low threshold to a wide range of companies, or whether it should only be granted in a more limited and selective manner.

It should however be noted that a number of successful RDI processes have begun with the innovation voucher process, through which evidence has been obtained that the benefits expected from the voucher have in some cases been obtained. The benefits are more likely to arise for those companies that have invested more of their own funding in RDI activities already and thus also in the innovation voucher project. Another important point here is that the successfully participating companies generally have a plan and know-how as well as a strong desire to develop their ideas further.

**When own funding is invested to the innovation voucher project, the projects have generally been more beneficial to companies**

<b>Results</b>	<b>Impact</b>
<i>New ideas and know-how to develop business</i>	<i>Improved ability to develop business</i>
<i>New products</i>	<i>Improved ability to conduct development work</i>
<i>New Services</i>	<i>Improved understanding of customer needs</i>
<i>Intellectual property rights</i>	<i>Improved ability internationalise business</i>
<i>Information on foreign markets</i>	<i>Enabling business growth as one component</i>

**Innovation voucher has promoted R&D activities that would not have been implemented without it**

The innovation voucher project has generally addressed the challenges faced by small companies in relation to starting up their RDI activities and has, as such, functioned effectively. It has made RDI activities possible for many companies where such activities would not have been carried out without the voucher, though the benefits and effects of the innovation voucher do however vary among the companies that have used it. At best, access to the voucher has helped in terms of know-how for business development, new product and service concepts and an improved understanding, for example, of IPR matters. The activities carried out with the voucher have also had longer-term effects and benefits for the development work and business of many companies. Information obtained, developed know-how and developed solutions can e.g., be used after the voucher project period has ended in some companies.

For some companies, the benefits of the innovation voucher appear to be modest and the voucher process itself has not generated clear and significant longer-term impacts. These companies have generally not had a clear plan for utilising the development work. In addition, their ideas have not shown sufficient potential for further development while, additionally, the resources have not been available to further utilise the results of the development work. In such cases, the innovation voucher project has also led to an understanding that the R&D process in question is not worth continuing.

The business development of the companies that used the innovation voucher has been growing, on average, even before applying for the voucher, with the business clearly been growing after using the innovation voucher. Development has been growing, both in terms of turnover and personnel growth. Although many other factors explain this, the innovation voucher has been one of the factors enabling this growth.

The actions implemented with the innovation voucher have had varying effects in terms of the internationalisation of the companies involved. For some companies, the voucher projects have improved their ability to move to international markets, for example through an increase in new knowledge and capabilities. Although the financial amount of the voucher is small, it is sufficient to produce small actions that have, for example, given more concrete forms to the plans to move to international markets. At the same time, for several companies the benefits of the voucher have remained minimal, though of course it could be here that the benefits gained relate to matters other than internationalisation.

**The added value of the innovation voucher can be seen in companies in the activation of R&D activities and also in the improvement of business development conditions.**

For the companies that have been operating for a longer time, the innovation voucher has not had a significant effect on their exports. On the other hand, in the case of new companies, more of them have started to export services and products to international markets after receiving the voucher. Among other factors, the innovation voucher projects have improved the ability to export services and products for some companies. In general, the importance of the innovation voucher for improving the ability to engage in internationalisation is greater for new companies.

The initial group of innovation voucher service providers has now grown into a large and versatile service provider pool of more than 2 000 organisations. Based on this, innovation vouchers can be used for many types of services, although traditional product development, IPR issues, service design, product and service strategy development and piloting and testing are emphasised in the service offering. In practice though, the use of the innovation voucher is focused on certain service providers. The TOP 100 service providers are responsible for half of the used innovation vouchers.

In general, the innovation voucher has influenced the development of the private service sector in respect of R&D activities, but only for certain service providers. Some of the companies have developed new services and areas of business as a direct consequence of the innovation voucher, but such services are generally offered from their already existing service repertoire. The benefits of the Innovation Voucher can thus be seen particularly in the fact that it has strengthened the existing business and brought in new customers.

There is clearly variation in the quality of the service offering. Considering the effectiveness of the activities initiated by the innovation certificate, it should be questioned whether client companies should be guided more strongly towards interaction with Business Finland's higher quality services.

One of the goals of the innovation voucher has been to increase cooperation between SMEs and universities and/or research institutes in R&D activities. The role of the universities and research institutes has however remained marginal as service providers. In practice, only 2% of innovation voucher projects have been used for these organisations.

Universities and research institutes do not have a strong interest monetarily in offering services for small-volume instruments like the innovation voucher. These actors focus on larger-volume funding instrument projects, through which the tasks set for educational organisations in the legislation can also be more effectively supported. Moreover, the services in respect of research organisations have not been particularly adapted to the innovation voucher in recent years while their service processes are not agile or fast enough for small innovation voucher projects.

The innovation voucher has also been profiled more clearly as an instrument related to private service providers. This has been influenced by e.g., the marketing efforts of several private service providers. It is understood that research organisations are not taken into account as widely as private consultants. The services and operating methods offered by private service providers are viewed as more agile and faster and thus as more suitable for an instrument like the innovation voucher

Universities of applied sciences and universities end up being used as service providers, especially, when Business Finland has directed companies to cooperate with these operators through their web-sites. If the aim is to increase the level of cooperation between SMEs and research organisations with the innovation voucher, stronger steering is required.

### **Development needs and recommendations**

Development needs in respect of the innovation voucher have been identified in relation to the evaluation and development recommendations. In general, it should be noted that the innovation voucher already works quite well and it fits well with the needs of the micro and SME field. As such, it should remain a low-threshold instrument for micro-enterprises and SMEs and as something which is easy to use across this target group. However, the effectiveness of the innovation voucher can be improved with small improvements and experiments. Development needs are presented below and recommendations after them.

**Innovation voucher works largely as intended, but with small adjustments its effectiveness can be improved**

The Innovation Voucher has resulted in continuous RDI activities with Business Finland's funding instruments to only a limited extent. Since the innovation voucher is supposed to increase the RDI activities of micro-companies and SMEs, the number of companies continuing development work should be increased.

In recent years, innovation vouchers have been granted, based on a rather loose set of criteria, to a wide range of companies of various types. Some of the development ideas that receive funding are such that they have no real potential for further development or of eventually becoming a commercialised product.

The granting process in respect of the innovation voucher application generally works well in its current form. Nevertheless, the processing of the innovation voucher applications could be further enhanced with small actions thus saving time for the processing of innovation voucher applications and e.g., for the quality processing mentioned in the previous proposal.

There are many types of service providers in the service provider sector which has made it possible for the innovation voucher to be used for a wide variety of services. Here both satisfied and dissatisfied customers exist in relation to the quality of the services provided. In order to further develop the effectiveness of the innovation voucher, attention should be paid to better ensuring the quality of these services. In addition, it is important to ensure that companies can easily find suitable service providers.

The innovation voucher has proven to be a good instrument in terms of introducing new customers to the services provided by Business Finland. The relationship and role of the innovation voucher could however be further condensed and clarified in relation to other Business Finland services and, for example, to ELY's funding services. At the same time, it is important to maintain the innovation voucher's current role as an instrument with a sufficiently low accessibility threshold.

#### RECOMMENDATIONS

Development proposal 1. The continuity of the RDI processes initiated by the innovation voucher should be better supported while these companies should be more strongly directed towards other RDI instruments deployed by Business Finland.

Development proposal 2. Companies receiving innovation vouchers and innovation ideas should be subject to a slightly stricter qualification process than at present.

Development proposal 3. The administrative processing of the innovation voucher should be stream-lined through the automation of certain steps.

Development proposal 4. The effectiveness of the innovation voucher should be further developed by ensuring the quality of the service providers' services.

Development proposal 5. The role and connection of the Innovation Voucher should be further clarified in relation to other instruments of innovation policy and to future new incentives (e.g. RDI tax incentive).

The development proposals are described in more detail in the evaluation report.

**In the future, Business Finland should also have a low-threshold funding instrument to activate small companies in RDI activities**

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