

## Economic Policy Positions of the CCI-Organisation

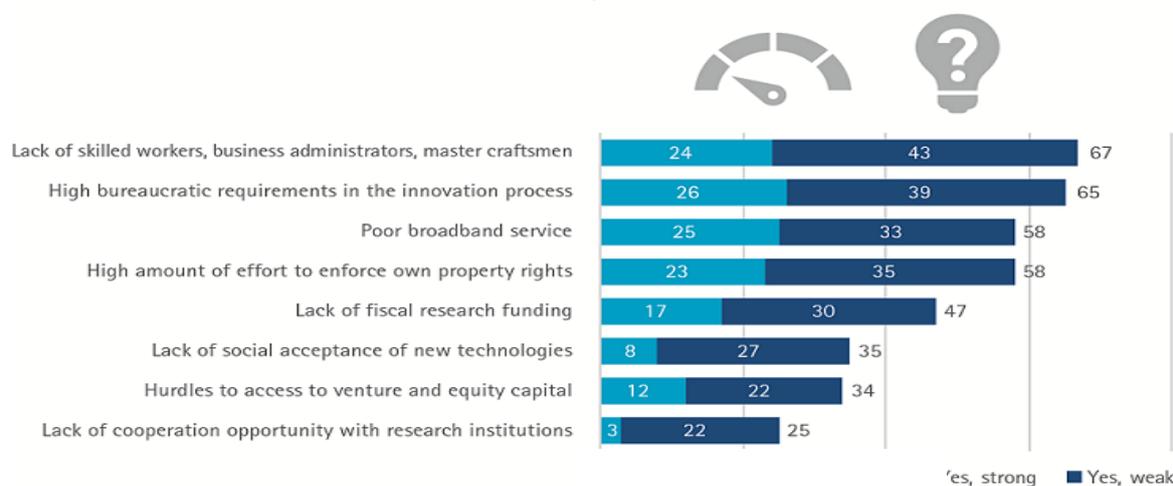
# RESEARCH AND INNOVATION: Strengthening technology transfer, making research funding more efficient

The economic policy positions (WiPos) of the Chamber of Commerce and Industry Organisation show politicians specific fields of action for a good economic policy. The WiPos reflect the agreed opinion of the Chambers of Commerce and Industry and their members. The Executive Board of the Association of German Chambers of Commerce and Industry (DIHK) adopted this position on March 20, 2019.

## Research and Innovation: Strengthening Technology Transfer, making Research Funding more Efficient

The German economy needs an effective innovation policy, not least because of the increasing digitalization. To strengthen Germany as a location for innovation, policymakers should, on the one hand, examine the effectiveness of innovation promotion together with industry and develop it further. On the other hand, they should further improve the economic framework conditions for private research and development (R&D) activities. This can also help to achieve the target set in the 2025 High-Tech Strategy of increasing the share of R&D spending to over 3.5 percent of GDP by 2025. Innovative solutions emerge in search and discovery processes that are open to technology, not through political guidelines. In order for German companies to be among the designers and winners of the future in the field of digitisation and the possibilities offered by artificial intelligence, a fast, concerted approach by politicians, scientists and industry is required.

### Restriction of the innovation activities due to ...



The following guidelines are intended to determine economic policy action:

- Reducing bureaucracy and simplifying procedures
- Raising innovation potential also in small and medium-sized enterprises – through tried-and-tested funding programmes and fiscal research funding for companies
- Strengthening innovation capability through start-ups
- Strengthening cooperation between science and industry...
- ... also to enable the breakthrough of disruptive innovations

## Reducing Bureaucracy and Simplifying Procedures

**Bureaucracy slowing down innovation:** High bureaucratic requirements in the innovation process cause many companies problems and tie up resources that are lacking for research and development. This includes, for example, the time and costs involved in approval and licensing procedures. But product regulations and regulatory requirements, e.g. for the handling of chemical substances, also place burdens on companies and can make innovation more difficult. In addition, companies do not have qualified contact persons in the supervisory authorities to provide binding information.

**What needs to be done:** The streamlining of processes can help companies to strengthen their innovation activities. To this end, politicians in Germany should examine legislative proposals with respect to their innovation friendliness and remove obstacles to innovation arising from existing legislation for companies. At the European level, German policymakers should advocate the removal of obstacles to innovation in EU law, e.g. in the form of greater transparency and help with orientation in the large number of product regulations. Furthermore, it would be important to further accelerate the testing times and decision-making processes at the German Patent and Trade Mark Office.

## Raising innovation potential also in small and medium-sized enterprises – through tried-and-tested funding programmes and fiscal research funding for companies

**Pressure to innovate is increasing:** Increased technological competition, shorter product life cycles and global developments such as digitization are increasing the pressure on companies to innovate. SMEs in particular often have limited opportunities, e.g. in the field of financing, in recruiting skilled workers or in developing suitable R&D strategies. As innovation partners, SMEs are also under-represented among research institutions.

**What needs to be done:** The Central Innovation Programme for SMEs (ZIM), Collaborative Industrial Research (IGF) and "KMU innovativ" ("SME innovative") are helpful support tools for medium-sized enterprises in particular. The Federal Government should continue to provide them with sufficient and secure finance. Overall, innovative companies require research funding that is more transparent and less bureaucratic, also in the international comparison, with simplified application procedures, comprehensible forms and explanations, as well as fast processing times. In addition to the tried-and-tested project funding, tax research funding with a low level of bureaucracy is an essential building block for increasing entrepreneurial innovation activities. Support should be available to as many companies as possible, including larger ones. Restricting the circle of beneficiary firms too much would limit the desired increase in R&D potential unnecessarily.

## Strengthening Innovation Capability through Start-ups

**Too many hurdles for start-ups:** As young companies which are often still economically unstable, start-ups in particular need resources to develop products to market maturity and put them on the market. The German venture capital market is weakly developed compared to international standards. There are few business angels and venture capital funds. Large-volume investment opportunities for institutional investors are lacking, as are incentives for small and medium-sized enterprises to cooperate with start-ups.

**What needs to be done:** The measures taken by the Federal Government to improve the possibility of carrying losses forward are an important step towards livening up the venture capital market. Furthermore, it should regulate the taxation of venture capital funds in such a way as to avoid double taxation – firstly of the fund and then of the investor as well. In addition, investment opportunities should be created for institutional investors and small and medium-sized enterprises should be encouraged to expand their own innovative capacity through cooperation with start-ups.

## Strengthening Cooperation between Science and Industry...

**With cooperation to innovations:** The cooperation between science and industry creates new knowledge, additional added value and promotes exchange between experts. However, their cooperation is hampered by different objectives and cultures in both areas. Every fourth company involved in innovation has difficulties in finding suitable cooperation partners at universities and public research institutions, especially small and medium-sized enterprises.<sup>1</sup> The planned federal transfer initiative aims to identify obstacles to knowledge transfer and adapt existing funding programmes accordingly. The Federal Government's Strategy for Artificial Intelligence (AI) has also set itself the target of transferring research results to companies. The Federal Government is planning to invest around three billion euros in the development and application of AI technologies by 2025, paving the way for digital business model and process innovations.

**What needs to be done:** Technology transfer should be more strongly focused by universities and public and private research institutions, which should complement the offers of private R&D service providers. To this end, they need additional financial and human resources, not least to facilitate a regular exchange with the business community. For small and medium-sized companies in particular, business contacts are crucial for technology transfer. They can establish contacts with companies and science, initiate projects, support their implementation and promote the protection of intellectual property. It would also be helpful to increase the transparency of portals for R&D and transfer skills. The stronger networking of business and science is also supported by experimental spaces such as real laboratories. New technologies, fields of application and business ideas, as well as regulatory instruments, could be tested free from any bias.

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<sup>1</sup> see the DIHK Innovation Report 2017

An awareness of technological potentials creates acceptance and trust. Universities should become more involved in such experimental spaces. These should then also be accessible to companies at a low threshold, e.g. in order to enable them to experience Artificial Intelligence applications. Particularly in this new field of technology, it is necessary to advance basic and applied research in equal measure. European cooperation would be important here in order to compete with AI pioneers such as the USA and China.

### ... also for the Breakthrough of Disruptive Innovations

**Agency for Leapfrog Innovations as a new funding instrument:** Especially when it comes to producing disruptive innovations, there is a backlog here in Germany, with the public funding landscape not being geared to it either. The Agency for Leapfrog Innovation, introduced by the Federal Government to promote new products, services or business models that radically change the market, offers the opportunity to strengthen the innovative capacity of the German economy and therefore accelerate productivity growth in Germany once again.

**What needs to be done:** The newly founded agency can make an important contribution to the promotion of leapfrog innovations if it has an interdisciplinary structure, is equipped with a high level of decision-making authority and can work free from any bias – with market requirements being taken into account at an early stage. This means, above all, that the transfer of the results to the economy and their market launch is also taken into consideration from the very beginning, thereby paving the way for the broad use of new technologies by companies, society and the state.

The CCI-Organisation contributes to this through (among other ways):

- organisation of more than 430 cross-company innovation networks
- analyses and surveys, e.g. DIHK Innovation Report 2017
- more than 13,000 innovation consultations and more than 1,500 events for companies per year
- main topics in consulting: digitization, energy efficiency, 3D printing
- supporting companies in finding suitable cooperation partners, e.g. through the "Top Science" portal of the Chambers of Commerce and Industry in Baden-Württemberg and Rhineland-Palatinate or the Industry 4.0 Clusters of Excellence *it's OWL* in North Rhine-Westphalia