



NETGROW

Enhancing the innovativeness of food SMEs through the management of strategic network behaviour and network learning performance

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PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

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1 Introducing the NETGROW project and its objectives

Food sector networks are numerous and widespread across the European Union. The objectives of food sector networks include promotion of trademarks or local food, building contacts within a regional food sector or an industry, strengthening collaboration between industry and research, or other objectives. Structural differences such as group of members (many or few, research and/or industry etc.), age of the network, funding model, organization, and geographic scope increase the number of parameters to be considered when comparing food sector networks in order to assess their impact on innovation, business development and economic growth.

Innovation is defined as the process of commercializing new products, technologies, markets, business models or organizational structures. Furthermore, innovation can occur in the early phase (exploration), under further development (exploitation) or at a later stage of a product's, technology's or process' life cycle. This way innovation differs from R&D which is regarded as experimental and pre-commercial research work. Hence, innovation is a dynamic concept, and the main issue to keep in mind when discussing innovation is the contribution to economic growth.

The NETGROW project targets the challenges of how to improve network learning and network performance in food sector networks across 9 EU countries and selected non-European countries. The outcome of the project will lead to a greater understanding of well-functioning and mal-functioning networks including an outline of best-practices on how networks can drive innovation in SMEs. Finally, the project will provide policy makers with recommendations that can support the establishment, running and evaluation of public-funded networks. For this purpose a toolbox for measuring network performance will be developed.

This policy brief summarizes the key findings and main policy issues derived from the first 12 months of the project. In the following section, most policy-relevant findings are discussed, and in section 3 recommendations for policy actions are given. More information about the project is found in section 4-5 and at www.netgrow.eu.

2 Project identity

Project acronym:	NETGROW
Project objective:	To enhance network learning leading to increased innovation, economic growth and sustainable competitive advantage for food SMEs.
Funding program:	7 th Framework Program, Cooperation, Theme 2
Project value:	€ 2.956.186,00
Duration:	48 months

Project Consortium:

Ghent University (Belgium) (*coordinator and contact point*)
Teagasc (Ireland)
University of Bonn (Germany)
Institute for Food Studies & Agroindustrial Development IFAU (Denmark)
University of Bologna (Italy)
LaSalle Beauvais (France)
Food Valley (the Netherlands)
Debrecen University (Hungary)
Skåne Food Innovation Network (Sweden)

3 Research parameters

The project's objectives are to gain insights into the success factors and barriers of learning in formal and informal food networks, and the impact on innovation performance, network learning and network performance.

Overall, in 9 EU countries 30 networks are studied plus a group of non-EU food networks all over the world. The case studies are based on in-depth interviews and conducted face-to-face. Questionnaires with open questions have been designed for respondents within industry (large companies and SMEs), public bodies, the network coordinator and research facilities. At this stage, information for the project has been retrieved from the case studies, scientific literature, workshops and conferences. The policy brief summarizes this information.

At present, the project has been running for 12 months. In the following stages of the project, network behavior at company-level will be analyzed, and a prototype tool for measuring network performance will be developed.

4 Most policy-relevant findings

4.1 Visions and framework conditions for networks

As there are many different types of networks in the food sector, it is very important that a network is not considered as *a general network* but rather as *a network with its own specificities*. Hence, support measures should be designed to target the needs of the particular network. An example of a network specificity is network age as the need for support deeply varies between young and more established networks.

A public funded network, which loses financial support, is in great risk of closing down activities, as the network is not economically self-sustainable. This situation has been experienced by EU as well as non-EU networks studied in the project. Policy makers must encourage publicly funded networks to become financially self-sustainable so the activities can continue when the funding period runs out.

Networks have in many cases led to new jobs, innovations, economic growth and, increased cooperation between countries and stakeholders. The framework structures surrounding the networks (e.g. Government agencies, funding structures etc.) must constantly bear in mind the objectives they serve in relation to the networks and the stakeholders. If framework institutions and policy makers do not succeed in maintaining a “straight-forward-vision” for the network which stakeholders understand, it may very likely result in a non-transparent network in which no stakeholder can find an identity or objective to participate.

Interviews with network managers point to the fact that evaluation criteria may have been changed, since the network’s inception or since the last funding period. This situation gives rise to a conflict between network management and funding agencies (Government bodies). Therefore it is highly essential that a funding agency continuously is in dialogue with the network management and communicates any present and pending changes in evaluation or funding criteria.

4.2 Network governance, network development and members

Case studies in EU countries and Canada point to the fact that it takes 5-7 years before a network is established in its context such as an industry or a region. This means that it takes some years before the environment acknowledges the existence and relevance of the network. In order to achieve the status of *an established network* it is essential that network management (and staff) can provide those services that are required and demanded by present and potential members. Other requirements to management are visionary actions, a large personal network and skills both within leadership and HR. Policy makers can support the network management by providing administrative support services, and this could be designated “points of contacts” in government agencies or by providing training activities.

If there is a sound interest in the network among stakeholders, evidence shows that such networks are dynamic, enduring and count the largest member groups. Particularly, networks that focus on industry interests prove this statement. Interviews with coordinators of such networks and with members underline the fact that such networks should be established and developed by a bottom-up approach. The most important task of the network coordinator is to drive the network, the group of members and the activities, so

that interest of companies is maintained. If the network coordinator succeeds in this, there is evidence that the network can grow both old and large and still remain dynamic. It is therefore very important for policy makers to provide incentives stimulating the bottom-up approach during the network establishment. In order to do this, policy makers are required to have an understanding of the bottom-up networks' contribution to company growth and innovation.

What makes a company join a network? Investigations of food sector networks show that the most widespread arguments for joining are:

- To gain more knowledge (e.g. detecting chances, exchanging experiences, etc.)
- To meet potential business or research partners.

These arguments are brought forward by companies in all sizes, organizations, government bodies, and researchers. Hence, it is crucial that the network offers activities that promote human relations. From interviews with network members (particularly companies) it is clear that companies expect the network to provide those services and activities that should improve the companies' benefits from being in the network. On the other hand, companies claim that the benefit from being in a network is very much dependent on their own involvement. One way policy makers could support networks in holding on to member companies is by providing educational guidelines on how to optimize the involvement in the network.

A network is only as good and active as the members and management drive it to be. This means that a network is highly dependent on active involvement from a sufficient group of members in the network activities. When the members begin to lose interest it may be too late to rebuild or re-invent the network. If there is no incentive to renew the group of members in a network it is a threat to the network's sustainability. Policy makers could consider incentives to promote generational changes encouraging younger members to join the network.

Investigation of networks across the EU has proven that companies (large as well as SMEs) evaluate the value of participating in networks in economic terms (e.g. impact on revenues). Policy makers can support the networks' basis (the group of members) by providing incentives to make it economically attractive for members, particularly SMEs, to stay in the network by e.g. tax credits for membership fees.

4.3 Networks as innovation drivers

A network focusing on innovation in companies, particularly in SMEs, can provide the best support to the SMEs and their innovation by offering contact points and advice on business-related matters such as access to financing, help with IPR or market entry strategies. Interviews with network members indicate that the best way to provide this support to members of the network is by having the right staff at the network secretariat: a management with own experience from industry and financing and an active and contact promoting staff. Preferably, people at the staff should be used to work with IPR processes, financing, matchmaking, market development, fundraising, exports and other functions that support business development.

Innovation is a dynamic process taking place in an ever-changing industry. In order to be at the forefront of industry and research trends, an innovation-oriented network must continuously develop, including the themes, activities and projects that the network offers to members. One way to do this is by having a visionary board or by establishing a scientific advisory group to support the board and management. Policy makers could include such structures as mandatory when establishing innovation networks.

There seems to be a trend among innovation networks to focus on innovations from collaboration between companies and researchers. Furthermore, investigations of networks in e.g. Italy and France point to the fact that also farmers are involved in innovation work. Therefore, innovation networks should have structures and measures that include farmers and their need for innovation support, if this is in line with the network's vision. Policy makers could address this issue by making it more transparent for farmers where they can find support (i.e. which networks and what can they offer) or by establishing networks matching farms' innovation patterns.

4.4 Evaluating networks

Network performance is evaluated at network level and participant level. Here the question comes in which approach the network should follow, a bottom-up or top-down approach. Interviews with network participants (companies) show that the evaluation of network performance is related to the impact that the network has on their organizations, i.e. how has the network participation contributed to company growth and business development. The network performance at network level is a much more diffuse measurement, as it is dependent on the stakeholders. This means that evaluation of network performance on network level in the view of e.g. the funding agency may differ from the network management's view. This shows that there is a real need for a way to evaluate networks' performance, and that this methodology should take the stakeholders' views into account. If such an evaluation system would exist, policy makers would have a set of tools to measure the outcome of networks in relation to the purpose and use of resources.

5 Policy implications and recommendations

The discussion in the previous section about policy-relevant findings point to the fact that there are many actions policy makers can take to support the establishment and running of networks in the food sector. Below, please find some general recommendations for policy actions.

Policy actions targeting networks and framework conditions:

- Design network specific support measures, not support measures for “networks in general”.
- Show a long-term vision for the network including the expected outcome
- Introduce incentives for publicly-funded networks to become economically self-sustainable
- Maintain a transparent network structure in a transparent framework – this will help present and potential network members to find the right network and contact point
- Provide incentives to stimulate the establishment of bottom-up driven networks

Policy actions towards network governance:

- Provide training and administrative support to network management to facilitate and improve network governance
- Provide educational guidelines for network board members (e.g. how to optimize the involvement of its members)
- Consider scientific advisory groups as support to network boards for network development
- Consider advisory board consisting of key members (companies and academics), to be quickly aware of strategic changes in the environment

Policy actions towards network participants:

- Provide incentives making network involvement attractive, particularly for companies
- Take actions to include farmers in innovation networks