

**BUSINESS
FINLAND**

**R&D Funding
Health Tuesday**

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AGENDA

- How to define R&D
- How to define innovation
- The idea behind
- About the R&D Funding
- To whom, when & why



R&D DEFINITION BY OECD

All of the following criteria must be fulfilled:

- 1) To be aimed at new findings (**novel**)
- 2) To be based on original, not obvious, concepts and hypotheses (**creative**)
- 3) To be uncertain about the final outcome (**uncertain**)
- 4) To be planned and budgeted (**systematic**)
- 5) To lead to results that could be possibly reproduced (**transferable and/or reproducible**)

INNOVATION BY OECD

- A new or improved product or process (or combination thereof) that **differs significantly** from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)"
- The minimum requirement for an innovation is that the product or business process must have one or more characteristics that are **significantly different** from those contained in the products or business processes previously offered by or used by the firm.
- **Novelty**. New to the firm or new to the market? Catching up the level of the competitors' offering won't do

- Innovation can be
 - Product or service
 - Process (e.g. production, delivery, marketing etc.)
 - Concept or model (e.g. a digital business model)
- Physical or immaterial

THE IDEA BEHIND

- Creating new involves risks. BF funding is to share these risks with private money. Together, we are able to accomplish more, take greater risks and by doing so, reach higher potential and benefits
- The aim is to create growth, export and tax income and high-value work into the Finnish economy

THIS IS WHY WE ANALYZE

The company

- Current business, resources (personnel, competences, economics), business model, team, track record etc.
 - Growth vision: Plans and goals, understanding for the customer needs and the market, assumptions checked (need, competitive benefit, pricing)
 - Previous BF funding(s): has the company reached the goals, inputs by other financiers (true risk sharing)
 - Potential for export, commitment and competence for international growth
- The project
 - R&D criteria, aligned with the business plan, risks and benefits in balance, goals
 - Planned, goal-oriented content, risks and challenges described

R&D FUNDING

Funding is either grant or loan

- Grant for industrial research (aim to create new knowlegde)
- Loan for experimental development (aim to develop new offering to the market)
 - Flexible loan terms, risk loan
- Combination of research and development is possible and common
 - Major part research = grant, major part development = loan
- Funding level typically 50%, loan of 70% also possible
 - Company has to be able to cover the rest
- No pre-set maximum limit for the funding (range about 50k – several millions)
- R&D is the main allocation of BF funding, around 75%

WHEN, TO WHOM, WHY

When

- Company is ready, prepared and resourced for R&D and international growth
- Company has identified a (market) need for R&D and is able to produce a systematic R&D plan linked to the business plan

To whom

- Companies of all sizes (no one person firms though)

Why

- Beat the competitors by creating great new products/services, grow the business and share the risks involved with BF's funding