

Universities are increasingly expected to develop links with the business community. At the same time, SMEs need to improve their skills and knowledge base so that they can develop their innovation capabilities and improve their competitiveness. Universities and other Higher Education Institutions (HEIs) seek links with large businesses for reasons of prestige and possibly access to funding. Hence, the links between university departments/research centres and SMEs may have been side-lined although they can be beneficial to both sides. This paper reviews how links between SMEs and academia can foster the innovative potential of SMEs. We focus on two initiatives: university-based business incubators and student internships. Such initiatives enable knowledge transfer from HEIs to small firms while the HEIs benefit from building links with local communities and improving their objectives regarding student employability. University spin-off companies are additional evidence of links between universities and SMEs.