

The UNICE conference for SMEs on Entrepreneurship Wednesday, October 13

Opening Dinner

Pr. Romano Prodi, President of the European Commission

SMEs, the entrepreneurs of change

For the first time since the fall of the Roman Empire, we have the opportunity to unite Europe, Mr Prodi told conference participants in his keynote address. But this time it will not be done by the force of arms, but on the basis of shared ideals and agreed common rules.

Rarely in the course of history does an opportunity like this present itself, he said. In this regard, Europe is at a cross-roads as we enter the new millennium, and the new Commission is ready to face the major challenges ahead with "confidence, enthusiasm and optimism".

Of course, one of the most important challenges is employment. Europe must compete on world markets, which requires its industries to be lean, but to most industrial managers this means downsizing, which creates unemployment. But we can no longer rely on big business to play a dominant role in the economy.

"SMEs are the backbone of the European Union," Mr Prodi said. "If we think about the fight against unemployment, we cannot rely on big business. This complementarity is one of the most interesting paradigms of contemporary industry and the economy."

The role of entrepreneurs is key in this process. They must be more willing to take risks, a very difficult obligation, but one that must be taken: "You must be the entrepreneurs of change."

With enlargement, Europe faces its biggest challenge in history, but in this challenge lies the future. Europe is already the largest market in the world, however, over the next ten to twenty years, Europe will recover its leadership role in the new economy as enlargement will boost its population by 30 per cent and territory by 33 per cent.

"We are re-creating the continent," he said. "We cannot lose this opportunity. The job of the European Commission is to provide a common service while preserving the strengths of Europe through its diversity."

Without horizontal innovation a Single Market will never be established, but we are well on the way. The debut of the euro went "must better than forecast" and the next challenge is to harmonise microeconomic policy. To do this effectively, an instrument is needed to react to economic shocks of the euro-11 today and the rest of Europe tomorrow.

According to Mr Prodi, the glass is not half empty, it is half full. Recovery is underway and inflation is under control. The only problem Europe faces is scepticism.

"We have to feel we can change the world, and though often we change it the wrong way, I'm optimistic we have the momentum to move forward."

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Welcome and Introduction

Baron Georges Jacobs, President of UNICE

“Europe needs more jobs. Entrepreneurs create jobs. Therefore Europe needs more entrepreneurs.”

This was Mr Jacob’s opening message to the conference, in urging participants to work together to find ways to foster better conditions for the development of enterprise in Europe. Business constitutes “an essential lever in the economy and in job creation,” he said.

Mr Jacobs noted that government’s short-term objectives are not always compatible with business development. However, with the election of the new European Parliament in June and the recent appointment of the Prodi Commission, there is an opportunity for participants to engage in “common reflection and dialogue to determine what constitute the elements of a favourable business climate.”

UNICE’s Benchmarking Report 1999 describes the dangerously low levels of entrepreneurship across the EU, suggests possible cause and solutions as well as outlines specific actions that public authorities should take to improve the business environment and foster entrepreneurship.

While the US is a natural benchmark, it does not necessarily serve as a model for Europe. Notwithstanding, there are key factors that have contributed to US success that Europe should strive to emulate. It has flexible product, capital and labour markets; the public sector is small and the burden of taxation is less than in Europe.

Entrepreneurs expect a great deal from the new EU institutions, but the main task lies with SMEs themselves, Mr Jacobs told participants, however, their success depends on the smooth functioning of the single market. SMEs “are the motor of the economy” and Europe’s 16 million firms are the key to growth and the creation of jobs.

“We urge policy-makers through the EU to take action, without delay, on the issues we will be discussing today,” he said.

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Economic Policy and Enterprise Culture

Mr Erkki Liikanen, Member of the European Commission, Enterprise Policy & Information Society

Entrepreneurship tops public policy agenda

“Entrepreneurs are agents of change. Their ability to response to new opportunities determines how well an economy performs.” The UNICE Benchmarking Report 1999.

The new Commissioner for Enterprise Policy and Information Society quoted UNICE’s report in his address to the conference, while pointing out that more than 95 per cent of enterprises in Europe are SMEs that employ two-thirds of the work force in the private sector: “They are the exception, not the rule.”

There is a litany of shortcomings in the current European business environment, Mr Liikanen told participants, which has resulted in Europe falling behind in several critical areas, including information technology, internet service providers and biotechnology.

At the same time, it is important to take stock of the successes:

- ✓ The EU is leading in the mobile telephone business
- ✓ We have a good education system but it could do more to teach IT and entrepreneurship
- ✓ Growth prospects look encouraging, inflation is low
- ✓ The Single Market is nearing completion and the euro has arrived

Prosperity is key, which is why the new Commission’s policies will foster growth and sustainable development; enterprises are at the heart of these policies and entrepreneurship is at the top of the public policy agenda.

This is why those parts of the Commission dealing directly with entrepreneurship, innovation and SMEs have now been grouped together under a new Enterprise Department, just one of the reforms being implemented to improve the quality of service to the business community. The creation of this single portfolio is recognition of the shift towards a knowledge-based economy in which demand growth is a key determinant for entrepreneurship. A favourable climate for investment must be created along with a strengthened competition policy.

In creating a dynamic entrepreneurial culture we need to take into account the following things:

- ✓ It requires a change of heart and mind on the part of those who are working with enterprises and the institutional framework.
- ✓ It is already present in established, large companies. Corporate spin-offs are an important manifestation of this.
- ✓ Entrepreneurial activity is not just about business creation; it is about business growth. Even when a new firm is initially successful, the need to grow very fast requires more than enthusiasm and a good idea. It requires the right kind of education and training.

In outlining key areas of future action, the Commissioner promised to cut red tape, introduce policies to encourage innovation and technology diffusion throughout the economy, create a more favourable environment for electronic commerce and remove barriers to access to capital. In the latter area, he pointed to the recent launch of the Seed Capital Pilot Action.

Developing and implementing enterprise policy is not an ivory tower exercise, he concluded. Policy-makers rely on the feedback from the business community and constructive input from the research community.

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SMEs, Growth and European Enterprise

Mr Kimmo Sasi, Minister of Foreign Trade of Finland

Mr Per Wijkman, Chairman of UNICE "Competitiveness" Working Group

Ms Karla Peijs, MEP and Chair of SME Intergroup

Mr Hans Werner Müller, Secretary General of UEAPME

Mr Magnus Lemmel, European Commission, Acting-Director General of DG - Enterprise

Greeting the 21st century with "cautious optimism"

Speakers and participants at this session outlined the many challenges faced by entrepreneurs and identified several ways forward to foster the growth and competitiveness of European enterprise. The June election of the European Parliament and the recent appointment of the Prodi Commission represent a unique window of opportunity for entrepreneurs which, according to Per Wijkman, Chairman of UNICE's Competitiveness Working Group, gives European SMEs a sense of "cautious optimism" as they prepare to greet the 21st century.

The Euro is firmly in place to underpin the single market and, importantly, there is a policy consensus emerging among politicians and business representatives. However, there remain many obstacles to overcome. Speakers generally agreed that the way forward is to:

- ✓ Reduce the burden on business by unravelling red tape.
- ✓ Enhance competitiveness and growth through innovation.
- ✓ Release the potential of electronic commerce.
- ✓ Improve access to capital.
- ✓ Improve education and training.

Mr Kimmo Sasi, Minister of Foreign Trade of Finland, emphasised that the future of Europe depends on a driving force of strong entrepreneurship, without which "our laws, policies, plans and hopes will amount to nothing". UNICE's Benchmarking 1999 Report does not paint a flattering picture. Over the past decade, Europe's economic performance has been poor relative to other leading economies. Living standards are lower and unemployment is higher in Europe than in the US and Japan. This is partially due to Europe's lack of role models, he pointed out. Young graduates tend to prefer the security and prestige of a large enterprise rather than the risk-taking involved in entrepreneurship. It is not "cool" or "in" to be a successful entrepreneur in Europe.

The media can be blamed for this in part as it tends to focus on failures rather than success stories. While we cannot change attitudes overnight, "we must act as midwives in the rebirth of European entrepreneurship," Mr Sasi said. Several speakers noted that Europe's attitude towards failure must change. In the US, failure is regarded as a benchmark of success, while in Europe it often heralds the end of one's career as an entrepreneur.

MEP Karla Peijs, chair of the Parliament's SME Working Group, agreed that better education and training would overcome this climate of distrust and encourage young people. She invited entrepreneurs to set up a constructive dialogue with the Parliament in order to overcome present administrative obstacles and avoid future ones by scrutinising legislation before it is passed.

Hans-Werner Müller emphasised that while education about entrepreneurship should “start at kindergarten level”, SMEs are where young people are really trained. It is up to the politicians to provide opportunities for growth by creating a positive framework that, among other things, guarantees a stable business environment. To date, the Member States have not fulfilled this very important criteria. ECOFIN’s decision last week to apply a reduced rate of VAT on labour in the intensive manufacturing sector is an important step forward, he noted, and while several Member States are reluctant to change the current system, it’s time to cooperate and “give it a try”.

The new European Commission is dedicated to fast-tracking the changes necessary to creating a more favourable business environment, said Magnus Lemmel Acting Director General of DG Enterprise. This new department will apply policy to all companies, regardless of size, regardless of sector. “We are looking for horizontally business-friendly policies where we can make a difference,” he said.

Mr Lemmel reminded participants that 50 per cent of the Single Market has yet to be achieved. In this light, there is an urgent need to better integrate business and competitiveness aspects into policies to achieve real sustainable development for enterprises. The new Commission is committed to regulatory simplification, stimulating cooperation between enterprises, facilitating “the digital economy” and ensuring markets remain open.

He echoed Mr Sasi who emphasised that the Internal Market is the starting point for growth and future global success of European entrepreneurs. “We need to continue to pull down existing internal barriers to this growth,” he said. In this regard, the new Commission’s “stern approach” to implementing directives and regulations at national level” should be applauded.

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Entrepreneurship and Finance

Mr Denis Payre, founder of Business Objects and Deputy-VP of Growth-Plus Europe

Mr Richard Desmond, Chairman of UNICE “Financial Services” Working Group

Ms Fotini Legakis, President of Hellafarm Group and Chairman of the SME Committee of FIG

Mr Ingvar Bladh, President of AB Meag and Chairman of the SME Council of SAF

Europe needs a “new model” and more “business angels” to finance start-up companies

This session brought together speakers and participants interested in one of the critical components of successful SMEs - identifying ways to finance start-ups and obtaining access to capital to ensure the growth of such companies - so that they can turn into high-growth, employment-creating “gazelles”.

The speakers, many themselves with first-hand experience as entrepreneurs, identified the following key requirements:

- ✓ Europe needs more “business angels” - who are often former entrepreneurs willing to risk their own capital where banks are not.
- ✓ There is a tremendous “gap” in finding “seed money” to fund start-ups.
- ✓ Banks need to develop a “pro-SME” policy in their lending practices.
- ✓ Governments need to foster an “entrepreneurial environment” through concrete actions - notably by not taxing earnings which are re-invested in the start-up companies. The taxing of stock options was also cited as a disincentive to attracting talented young people to European SMEs.

Mr David Byrne, founder of the hugely successful French IT company Business Objects and Vice-President of Growth Plus, a leading European association which promotes entrepreneurship, elaborated on the “typical” European model for successful, high-growth SMEs. Such a model is often quite different from the American model:

- ✓ Entrepreneurs often start in a garage with their own money; sometimes, if they are fortunate, with the help of business angels willing to take a risk. All profits are ploughed back into the company.
- ✓ Once the company has built its own product and conquered a niche market, it seeks venture capital funds to tap into sources of financing for future growth.
- ✓ When the company is better established and has global ambitions, it can launch an Initial Public Offering on a variety of European markets or even the US market (NASDAQ).

The difference with the American model has a lot to do with the availability of financing early on, from a greater number of business angels, to access to venture capital, to the facility which banks have to extend long-term loans. Essentially, Americans tend to be much more prone to taking business risks. Unlike in Europe, entrepreneurs who fail the first time around are not stigmatised.

There is however good news. For one, European stock markets are doing well and we are seeing more and more IPOs than ever before. Second, access to venture capital is improving dramatically. “When I started my company 10 years ago, we only knew of three possible venture capital funds in France. Today, 140 are available,” said Mr Payre.

Even so, the big challenge for European start-ups remains “seed money”. Mr Ingvar Bladh, himself a successful Swedish entrepreneur in the building sector, noted how “it is harder to raise a small amount of money than it is to raise a large amount”. For this reason, Mr Payre said, “we need more business angels”. Unfortunately, government policies, primarily because of wealth taxes, act as a disincentive to the creation of such business angels. A recent survey of Silicon Valley start-up companies cited business angels as one of the four reasons for their success.

Drawing from his Swedish experience, Mr Ingvar Bladh noted how hard it is in Sweden to access “soft” loans. Unfortunately, most small companies remain small. It is too risky to grow and after-tax revenues act as a serious disincentive to reinvest in the company, he said. Mr Bladh cited self-financing as the key to European start-ups. He too urged for more “business angels”, not only for the capital, but also because they “add competence, networks, and management skills”, and in this way control the “pay-backability” of their money.

Mr Bladh did not espouse the IPO as the mechanism to raise capital, instead he favoured self-financing: “Going public may make you rich, but you lose a bit of your soul. I prefer the family-run model.”

Mr Richard Desmond, Chairman of UNICE’s Financial Services Working Group, said the development of SMEs in Europe is being delayed due to a shortage in financing. And yet, the introduction of the euro should be a source of success for companies. For one, the euro has helped drive down the cost of lending. It already has surpassed the dollar as the currency of financing.

“Despite some good signs from Economic and Monetary Union and the economy, we need new financing structures,” said Mr Desmond. Already Europe is seeing more and more cross-border activity, especially from the US, to provide financing. He noted that the mechanism for today’s conference was excellent: “Industry is speaking and government is listening.” Unfortunately, only 2 per cent of participants represented the banking industry, he added.

“Europe has all the ingredients to see a third industrial revolution,” according to Mr Payre. “We have a lot of money available and we have a lot of active and successful stock markets. But governments today are not seizing the opportunity to create the environment for successful start-up companies and reinvigorating the economy.”

Ms Fotini Legakis, the President of the Greek Hellafarm Group, also noted the lack of funding for start-up companies in Greece. SMEs in Greece need help and she called on the state to “foster an entrepreneurial spirit in universities”. She also called on governments to design better, more transparent ways of taxing companies, to allow them to reinvest their earnings. Ms Legakis advocated the harmonisation and simplification of administrative procedures, a burden that is too time-consuming for SMEs.

“Banks in Greece have already made a significant contribution, although they need to change their mentality, broaden up the services to SMEs and offer counselling on various ways of financing,” she said. Finally, trust between companies and banks is important and banks ought to be more careful with the data and information transmitted about SMEs. In addition, banks should include representatives of SMEs on their boards.

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Entrepreneurship and Technology

Mr John Yochelson, President of the US Commission on Entrepreneurship

Mr Carlos Westendorp-y-Cabeza, MEP and Chairman of the Industrial affairs Committee

Mr Heinrich Von Paulgerg, Autoflug Gmbh and Chairman of the SME Council of BDI

Mrs Kirsti Paasikallio, CEO of Valopaino Oy and Member of the SME Council of TT

Mr Hendrick Tent, European Commission, Deputy Director General of DG – Research

Innovation is the driving force behind most SMEs – not just IT start-ups

Entrepreneurship is the result of the initiative of individuals. To be successful in today's business environment, entrepreneurs need technology to make their companies faster, more efficient and therefore more productive.

Why has knowledge entrepreneurship become such a force in the US economy? Mr John Yochelson, President of the US Council on Competitiveness, outlined three key points:

✓ Entrepreneurship, when it began to surge in the US in the '70s and '80s was responding to a fundamental problem in the American economy. Unlike in Europe, employment wasn't the issue – it was cost efficiency and productivity in the US manufacturing sector. These difficulties had caused numerous structural changes in the US economy, creating a host of opportunities for entrepreneurs.

✓ The rise of software – and the rise of software in creating value. Software was peripheral in 1985, yet today it touches everyone. Software is knowledge intensive, does not require large inventories and has the potential to generate enormous profits.

✓ The role of universities is crucial to the creation of wealth. Leading universities such as Stanford and MIT participate in the creation of an entrepreneurial environment through research and innovation. Public and private universities depend on alumni for funding, and as a result, have a stake in the *creation* of wealth.

What contribution do entrepreneurs make to the growth and expansion of the US economy? Mr Yochelson again outlined three key areas:

✓ Entrepreneurs are a great factory of new ideas and the applying and developing of new technologies. The customers of these ideas are the large US companies. They depend heavily on start-ups for new ideas they can commercialise.

✓ Entrepreneurs have reinforced the concept that geography matters. Entrepreneurs and business angels need to be near each other and meet regularly to exchange ideas and resources. Entrepreneurship is creating individual geographic locations in the US (such as Silicon Valley) which have become great drivers of innovation.

✓ Entrepreneurs are driving forward the applications of e-commerce throughout the whole US economy.

And yet, the United States remains vulnerable in a number of key areas. For example, stock options are an enormous asset. They help attract talent to start-ups where salaries may at first be low. However, stock options carried to the extreme - as is sometimes the case in the US - have a real potential to create a financial/speculative bubble.

The entrepreneurial spirit in the US and the success of entrepreneurs have a tendency to shorten time horizons. It is extremely important to maintain a long-term view of investment in knowledge. Entrepreneurs, on the whole, are users of talent. They are usually too small to develop talent. Part of the problem remains the shortage of talented people to fill the gap. Essentially, Europe should bear in mind the success and vulnerabilities of the US model of entrepreneurs and do it differently.

Bringing a European perspective to the issue of an entrepreneurial culture, Mr Carlos Westendorp, a member of the European Parliament, said the key word of our times is "competitiveness". Competitiveness has two components: one is a cost component and the other is productivity. The key is innovation. When we compare the US and Japan to the EU, we notice that in almost every area, from per capita investment in R&D to value added, the EU lags behind.

The reason "is a deficit in innovation". Innovation is not only the final result of the research and development process. Innovation also applies to management and commercial areas. It goes from design and the manufacturing process to many other activities before and after the product is brought to market. "Innovation is a part of our life," Mr Westendorp said.

Mr Hendrick Tent, Deputy Director General of the Research Directorate General, explained what the European Commission can do to help SMEs innovate. The Commission has launched a number of programmes, including CRAFT, designed to provide financial assistance to SMEs in the area of research and development. However, "community research programmes are not a subsidising policy." These funds require consortia and co-financing. Of the Community's 16 million SMEs, 14,000 have already tapped into these funds. SMEs shouldn't be afraid to apply, he said. Forty percent of requests are awarded and many of them (65 per cent) are first-timers. He concluded that most requests for funding were answered within six to ten weeks.

Mr Heinrich von Paulgerg, Board Member of Autoflug GmbH, and Ms Kirsti Paasikallio, CEO of Finland's Valopaino, brought some direct experience to the importance of innovation for SMEs.

Mr von Paulgerg said that Europe's aeronautics industry has the Airbus example as a shining success story. A consortium, it has recently announced 50 per cent of a new orders in the airline business. "This came about because we invested in technology". What most people do not know is that Airbus depends on SMEs for 75 per cent of its equipment.

"We are proof of the benefit derived from the innovation of small companies. The progress of European industry depends on us to change European thinking," he said.

Ms Paasikallio provided the example of her company that began 47 years ago in the business of making copies for the building industry. Things started to change five years ago because her customers' requirements started to change.

"With our new slogan, network or not work we added technology to our business model. We used to be a production-based business - now we are a knowledge-based business," said Ms Paasikallio. She cited the difficulty many SMEs have in recruiting young talent: "SMEs are not interesting for young employees. We therefore urge far greater cooperation between SMEs and universities to attract this talent."

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Entrepreneurship and Employment

Mr Antonio Masa Godoy, President of CEPYME and Vice-President of CEOE

Mr Emilio Gabaglio, Secretary General of ETUC

Mr Colin Perry, President of LTE Scientific and Chairman of the SME Council of CBI

Mr Francesco Bellotti, President of Fratelli Bellotti and Chairman of the SME Council of Confindustria

How much flexibility does Europe really need ?

This session, on Entrepreneurship and Employment, sparked a lively dialogue about the need for flexibility if Europe is to meet the immediate challenges of unemployment and competitiveness in a globalised market economy characterised by technological progress and the liberalisation of trade.

According to Antonio Masa, President of CEPYME and Vice-President of the Spanish Employers (CEOE), the future of Europe, indeed its success, is based on the three pillars of competitiveness, entrepreneurship and investment.

The secret to success, he said, is flexibility on the part of all players involved - entrepreneurs, employers and workers. Europe needs more flexible markets, particularly the labour market, which Mr Masa described as too slow in responding to internal changes. Europe needs reduced labour costs, new models of social contracts, re-shaped working hours and more mobility.

This should be done without increasing public expenditure, he said, and in this regard, the role of the state in the economy must be re-defined.

Labour markets in Europe are much more flexible today than they were ten years ago, according to Emilio Gabaglio, Secretary General of ETUC (European Trade Union Confederation). Trade unions also consider entrepreneurship as one of the four pillars of the EU's employment policy, which ETUC endorsed.

"We recognise the role SMEs play and their importance for growth, competitiveness and job creation," he said. However, this growth depends on a number of factors that demand a macroeconomic policy mix approach.

Trade unions are prepared to move forward with restructuring the labour market, but not at the expense of workers' rights. "We do not agree with social deregulation," Mr Gabaglio told participants. Nonetheless, trade unions recognise the same social standards designed for other economic and industrial realities cannot be applied to SMEs.

He pointed out that accidents occur more frequently in SMEs, whereas trade unions traditionally have strong health and safety legislation in the workplace, and asked employers to work together with labour towards regulations that do not put employees at risk.

In the past, trade unions did not talk about entrepreneurship. This has changed, however, workers must be convinced that the changes are positive and in their own interest. In this regard, it is important to recognise the importance of the ongoing Social Dialogue in Europe.

"Let's work together to guarantee social rights and security for workers while improving the environment for SMEs," Mr Gabaglio said.

Colin Perry, Chairman of LTE Scientific and the SME Council of the Confederation of British Industry, disagreed. What is the correct choice between security and poverty or flexibility and greater prosperity?

“Putting too much emphasis on security is misleading because the highest levels of insecurity occur where there is unemployment,” he said.

The UK used to be the “sick man” of Europe, yet today, unemployment at just 6 per cent is the lowest in 20 years and there is no shortage of skilled workers. This is due to labour market flexibility, Mr Perry pointed out, which began in the 1980s with reform of Britain’s labour laws, whereby most industries abandoned national collective agreements. “Trade unions now understand the importance of flexibility.”

Provisions such as minimum wages, working time, increased penalties, maternity leave and social security benefits are major burdens on SMEs, he added.

Francesco Bellotti, President of Fratelli Bellotti and Chair of the SME Council of CONFINDUSTRIA, pointed out that new legislation in Italy has enshrined trade union rights in SMEs, something that is jeopardising good relations between SMEs and workers.

In every country where politicians and trade unions have made hard choices, job creation has started. Flexibility is absolutely necessary to be competitive in a mobile and dynamic society, he told participants.

New formulas of work need to be introduced, such as new forms of labour contracts and training schemes. However, schemes such as the forced reduction of working hours in France are “a disaster” that must be avoided: “You cannot share the work in order to increase the number of jobs. We need to create new jobs instead of sharing existing labour.”

One way to stimulate job creation would be to create economic conditions conducive to attracting foreign capital. This could be achieved through cutting red tape and reducing the tax burden, according to Mr Bellotti.

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Conclusions

Mr Lorimer MacKenzie, European Commission, Director of DG Enterprise
Dirk F. Hudig, Secretary General of UNICE

Entrepreneurs need a better risk to reward equation

There were many messages that came out of the conference, however, as Dirk Hudig, UNICE's Secretary General concluded, entrepreneurs want public policy-makers to create a situation that gives a much better risk to reward equation.

"The analysis has been done and now it's time to benchmark the action," he said. "We need to see what progress has been made by whom and where for doing what and use it as a blueprint for action."

Two of UNICE's recommendations for priority action by European governments to improve the business environment for entrepreneurs reflect the conclusions of BEST (Business Environment Simplification Task Force) and are already reflected in European Commission policy, Lorimer MacKenzie, Director of DG Enterprise, told participants. They are:

- ✓ Remove regulations that restrict competition and development of new markets
- ✓ Promote the spirit of enterprise throughout European societies.

However, it is in the recommendations to reduce the size of the public sector and the overall burden of taxation as well as reform of labour market regulations that restrict new forms of work organisation, where UNICE, SMEs and entrepreneurs face their greatest challenges.

Governments are listening to calls to improve the efficiency of the public sector and to remove unnecessary administrative and legislative burdens from business, Mr MacKenzie said, but labour market reform is something that will have to be debated much more thoroughly in future. However, "there is scope for coming together on these issues", in his view. The Commission is committed to reorganise services to give entrepreneurs better services, he said.

There is "no one right way" to encourage freeing up more finance and risk capital, Mr MacKenzie pointed out, and insisting on one way could lead to the wrong result. Today, about 80 per cent of fast growth EU firms use short-term bank loans to finance growth. "We may want to look at reinvesting revenue in future."

Mr Hudig agreed there is no single model for access to capital. There are diverse financing needs across the EU, but a prerequisite to meeting them is a functioning Internal Market for financial services, which does not yet exist.

The emphasis on education and training is critical. Mr MacKenzie described an education programme in Scotland started in 1992 that teaches entrepreneurship courses from age five to graduation, something that would have been inconceivable in the past.

An important way forward is to meet the challenge of new technologies and take advantage of the wealth of opportunities offered by e-commerce. Small firms can become global over the internet, Mr Hudig commented, something that was unthinkable just four years ago. However, we must be prudent “not to suffocate this activity by over-regulation”.

He reminded participants that just 50 per cent of the Single Market has been completed and that in the past, some failures have been policy-induced. There is a wide variety of business cultures across Europe that are facing similar problems: “It’s time for entrepreneurs to speak up!”