

"Make it simple!"

The 2001 UNICE conference for SMEs

Tuesday 29 May 2001

At the European Parliament in Brussels

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Business says: Make it simple in Europe

Entrepreneurs call for a meaningful European level dialogue

BRUSSELS – More than 300 European entrepreneurs and top decision makers attended the second annual UNICE Conference for SMEs, asking EU policy and decision makers to “Make it Simple!” Europe has still a lot to do to foster entrepreneurship, particularly in the areas of incentives, red tape, the skills gap, labour mobility and immigration.

Francesco Bellotti, Entrepreneur and Chairman of Confindustria & UNICE SME Committees, stressed that enterprise is an essential lever to create jobs and prosperity for the European economy.

“Enterprise is the source of added value and innovation,” Mr Bellotti said. “Europe urgently needs more entrepreneurs, but this will depend on creating a business-friendly environment.”

Today’s entrepreneurs are mired in red tape, and conference participants called on the European Union and member states to simplify the regulatory framework and streamline procedures, especially for start-ups. In addition, the existing patchwork of regulations across member states is a barrier to creating a more flexible labour market.

Positive steps would include lowering the tax burden on business and labour as well as creating a European private company statute to meet the needs of SMEs. For example, there are up to 20 different steps to register a new company in Europe, compared to just one in the United States. Delegates expressed considerable concerns that regulations and excessive costs such as these for transferring companies or mergers are unacceptable.

UNICE President Baron Jacobs called on entrepreneurs, the European Commission and member state governments to open a meaningful, European level dialogue to address the urgent concerns of SMEs. Strengthening the single market is a big step forward, but much more needs to be done.

The skills gap has a major impact on SMEs. Lack of skilled labour is the tightest constraint on SMEs business performance after access to finance and administrative regulations. This gap must be bridged if a culture of entrepreneurship is to flourish.

Growth Plus, released its annual Europe 500 at the conference, which profiles the fastest growing companies in Europe. Growth Plus’ Vice-President Christian Hunt pointed out that these companies are headed by entrepreneurs who, through innovation and a willingness to take risk, continued to create employment in all industry sectors across Europe over the last five years, creating a total of 250,000 jobs.

“UNICE has been benchmarking best practices since our last SME conference two years ago. Europe’s entrepreneurs can be proud of their track record so far,” Mr Jacobs said. “We are calling on the European Union to allow us to continue this

tradition. Entrepreneurs need an environment in which they can flourish with confidence."

In his keynote address, Lars Rekke, Chairman of the Industry/Energy Council, State Secretary, Ministry of Industry; Employment and Communications, Sweden said: "We do not underestimate the challenges accepted at Lisbon to make Europe the most competitive economy. Even though the US has pulled even further ahead in terms of jobs and living standards, I see no reason why the EU should not be able to perform on par by 2010, given the right policies."

To this end, "business needs to keep enterprise policy at the heart of the European agenda," said Erkki Liikanen, European Commissioner for Enterprise and the Information Society;. "We have strengthened our efforts to cut red tape and accelerated the pace of reform and modernisation in key areas where improvements are necessary. Europe will never really be competitive as long as it is less entrepreneurial than our competitors."

Mr Liikanen pointed to the new Multiannual Programme for Enterprise and Entrepreneurship, the European Charter for Small Enterprises and benchmarking exercises that are now underway.

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Welcome and introduction

Mr Francesco Bellotti, Administrator of Genta Francesco Sas, Vice-President of CONFINDUSTRIA, Chairman of CONFINDUSTRIA SME Committee and Chairman of UNICE SME working group

Speaking note

Monsieur le Ministre,
Mesdames et Messieurs les Députés,
Chers collègues entrepreneurs,
Mesdames et Messieurs,

C'est avec un immense plaisir que je vous souhaite à tous la bienvenue à cette seconde édition de la Conférence de l'UNICE pour les PME.

Je souhaite profiter de l'occasion qui m'est offerte pour remercier vivement le Parlement européen pour son hospitalité et pour son soutien dans le cadre de l'organisation de cette journée.

Par ailleurs, je dois dire que je suis très impressionné par le nombre de participants ce matin et je mesure, à cette salle comble, l'intérêt que vous nous portez aujourd'hui, à nous entrepreneurs de petites et moyennes entreprises en Europe.

Pourquoi une conférence pour les entrepreneurs ?

L'entreprise ne constitue pas une fin en soi mais l'entreprise est un levier essentiel de la création d'emplois et de la création de richesses pour l'ensemble de l'économie. L'entreprise est LA source de la valeur ajoutée, elle est le lieu d'innovation par excellence. Elle permet et soutient les progrès technologiques et leur diffusion dans la société. Enfin, c'est l'entreprise qui crée les emplois et qui permet à chacun de s'insérer et de s'adapter aux mutations permanentes de notre société.

L'Europe a un besoin urgent de plus d'entrepreneurs, de plus d'individus porteurs de projets, afin de créer plus d'emplois.

En tant qu'entrepreneurs, mes collègues et moi-même sommes concernés par ce qui se fait au niveau politique, que ce soit ici à Bruxelles ou bien au niveau national dans les Etats membres.

Nous pensons qu'il est important de développer ce dialogue afin de créer les conditions favorables qui sont nécessaires au succès des entreprises européennes. C'est le rôle des organisations que nous représentons de maintenir ce lien entre nous, les entrepreneurs et les milieux politiques.

Nous avons la volonté de prendre une part plus active aux travaux qui sont faits à différents niveaux et qui aboutissent souvent à des conséquences importantes pour nos entreprises. Ce dialogue avec les milieux politiques est nécessaire. Il doit être permanent afin que leurs décisions soit plus compatibles avec les besoins réels des entreprises et des entrepreneurs.

Au cours de cette journée de travaux nous avons choisi d'évoquer ce qu'est aujourd'hui la réalité d'un entrepreneur en Europe. A quoi l'entrepreneur est-il confronté à chaque étape de la vie de son entreprise ? Qu'est-ce qui rend sa vie plus simple ou au contraire qu'est ce qui la lui complique ?

Beaucoup de réponses à ces questions se trouvent dans l'environnement immédiat des entreprises. Ce que nous appelons l'environnement réglementaire.

L'entrepreneur a besoin de règles pour que ses opérations se déroulent d'une bonne manière, que la concurrence soit saine et que les marchés soient stables. Cependant, la réglementation est une source importante de contraintes pour les entrepreneurs.

Une chose est sûre, plus l'entreprise est petite, plus le chef d'entreprise agit comme un homme orchestre.

Aujourd'hui encore, nombreux sont les obstacles qui entravent le développement des entreprises, dans différents domaines. Certains obstacles, certaines obligations auxquelles les entrepreneurs sont soumis rendent plus difficile la réalisation concrète des projets d'entreprise, innovants et concurrentiels, et rendent notre vie d'entrepreneurs plus difficile.

- ✓ La vie d'une entreprise, le succès d'un projet sont des choses délicates. Afin d'optimiser les chances de succès, les entrepreneurs européens ont un urgent besoin d'un environnement qui leur soit plus favorable.
- ✓ Un environnement qui favorise la prise de risque et l'innovation.
- ✓ Un environnement qui simplifie l'accès aux ressources et raccourcisse les délais.
- ✓ Et surtout un environnement qui laisse du temps à l'entrepreneur ; du temps pour exercer son métier. Et je tiens à rappeler ici que le métier d'un entrepreneur n'est pas de remplir des formulaires de déclaration pour satisfaire les besoins d'informations sans cesse plus importants des administrations, mais c'est de faire vivre son entreprise, de servir ses clients, de satisfaire et de conserver ses employés, de développer et pérenniser ses activités. C'est là le rôle et l'ambition des entrepreneurs.

Il s'agit :

1. d'être en mesure de jouer pleinement un rôle dans la compétition mondiale "**Make it simple to compete !**"
2. de donner leur chance aux nouvelles initiatives entrepreneuriales "**Make it simple to start up new entrepreneurial ventures !**"
3. de développer l'emploi et permettre les embauches "**Make it simple to employ more people !**"
4. de faciliter le développement, la croissance et le transfert d'une entreprise "**Make it simple to develop a business !**"

A chacun de ces points, nous allons consacrer une séance de travail, dans le but d'identifier les exigences de simplification dans les différents domaines et les solutions envisageables.

Notre message se veut simple et clair : **Make it simple !** Nous espérons que ce message inspire chaque intervention réglementaire.

En tant qu'entrepreneurs, nous sommes prêts à relever les défis de la mondialisation et d'une plus forte concurrence sur les marchés, mais notre volonté, notre esprit créatif et notre capacité d'entreprendre ne sont pas suffisants : il faut aborder la question des conditions externes de notre croissance, conditions qui jusqu'à aujourd'hui ont été absentes ou insuffisantes.

Notre journée est dédiée au dialogue. Un dialogue avec les différents orateurs prévus au programme de cette réunion, mais aussi avec vous, les participants. Aussi, n'hésitez pas à vous manifester, à prendre une part active dans ce dialogue. Dans chacune des séances, du temps est prévu pour la discussion et les questions.

Dans quelques minutes, nous aurons le plaisir d'écouter Monsieur le Ministre Lars Rekke. Monsieur Rekke est Secrétaire d'Etat au sein du Ministère de l'Industrie, de l'emploi et des communications suédois depuis 1998. Il a en charge notamment l'énergie, le développement des affaires, la concurrence et la simplification des règlements pour les PME. C'est très

réconfortant de savoir qu'en suède ce sujet est pris au sérieux et qu'un ministre est responsable et chargé de ce dossier en particulier.

En outre, pendant la présidence suédoise de l'Union européenne, le Ministre Rekke préside le Conseil Industrie / Energie.

Mais sans attendre, j'ai le plaisir de passer la parole à mon collègue suédois. Monsieur Sören Gyll, Vice-président de l'UNICE et Président de la toute nouvelle Confédération des entreprises suédoises.

Merci et excellente journée à tous et à toutes.

Tuesday 29 May 2001

Welcome and introduction

Mr Sören Gyll, Vice-President of UNICE and President of the Confederation of Swedish Enterprises

Speaking note

What European business expects from the political leadership of Europe

At the Lisbon summit Member States set a goal to make the European Union by 2010 "*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*".

European business applauds this ambitious target. This demands, among other things, a more vigorous SME sector. As a number of studies have shown, SMEs create jobs, commercialise product and service innovations, increase competition and improve the functioning and effectiveness of markets.

The Stockholm Summit in March was the first to monitor progress of the Lisbon process. Business had high expectations that the Stockholm Summit would give momentum to the Lisbon process. Expectations that regrettably was only met to a rather limited extent. For example; The Council's commitment to achieve an integrated securities market by the end of 2003, in line with the recommendation of the Lamfalussy Committee, was important, but we had hoped for more progress to be made in other key areas of the Financial Services Action Plan.

Furthermore we welcome, that progress was achieved in extending the open method of coordination to pension systems and regularly monitoring of the sustainability of public finances, including the impact of ageing populations. But we were really disappointed by the lack of progress on many other very important issues, as the Community Patent and the liberalisation of gas, electricity and postal markets.

We do not underestimate the magnitude of challenges accepted at Lisbon – to make Europe the world's most competitive economy. The recent sustained economic growth in the United States has meant that the United States has pulled even further ahead of Europe in terms of jobs and also of living standards. But given the right policies, I see no reason why the EU should not be able to perform on par with the United States by 2010. Indeed, in the 1990ies, macroeconomic policies and structural reforms in several European countries have led to accelerated growth in employment and living standards. Sweden is one of them. Reforms pay off.

The Stockholm Summit wasn't the success we had hoped for. We are now impatiently looking forward to see what the Swedish governments commitment to a Presidency, that achieves concrete and rapid results can give us during the remaining weeks of that Presidency. We hope that the Göteborg Summit will take important steps to move the Lisbon process forward? And followed by resolute leadership by the Belgian and Spanish governments to even accelerate the process.

My business experience - from both small and big companies - leads me to suggest that there are four major policy areas demanding special attention of ministers – and the Commission. On the national level, there are of course other important areas, not least taxes, to be considered. This is particularly important in Sweden with one of the highest tax levels in the world. High taxes reduce incentives for entrepreneurship and to investment, not least, in education. Furthermore, high taxes distort competition, often create black markets and demand an overheavy structure of rules and legislation.

Lowering tax burden should help to reduce and simplify the regulatory burden in general. Thus, it goes well in hand with the first of the EU policy areas I want to mention;

That first area is policies for fostering entrepreneurship – through simpler rules, more flexible bankruptcy laws and improved business education.

The private business sector is the engine of economic growth. Companies create jobs and incomes. Companies –*ultimately* – finance the public sector. Companies are agents of change - introducing better products and more efficient production technologies. Thus, a policy that fosters entrepreneurship and enterprise is the best employment policy.

Business therefore expects governments to commit themselves to make it easier and cheaper to start-up new companies as well as to run them. Already at the Göteborg Summit an operational follow-up of the Commission's benchmarking of start-up costs in member states should be ensured.

The Confederation of Swedish Enterprise and its predecessors have been heavily engaged during decades for regulatory simplifications. In Sweden we have seen some progress recently. What has been launched by the Swedish government is an organisational and legal structure that – hopefully - makes it possible for work, now to begin in earnest. But the real efforts to simplify the existing regulatory framework have still hardly started.

We have also been engaged internationally by taking part in the OECD project to estimate businesses' administrative costs of the regulatory framework, and through UNICE in the EU's regulatory simplification. Last week we arranged a seminar on this issue here in Brussels.

ECOSOC presented last fall a report on rules simplification. That was an important contribution. Business strongly supports this report. In the so-called Synthesis Report, presented in the preparation of the Stockholm Summit, the Commission emphasised the importance of quickly getting the regulatory framework right and avoiding over-regulation of business. Of course, we support the Commission's intention to present, this year, a co-ordinated strategy for simplification of rules. We urge the Governments to ensure that this strategy is acted on quickly but also implemented. Not least, labour market rules are more inflexible in most European countries compared to the US.

Business would like to see European politicians taking the lead in forming positive social attitudes to entrepreneurship, as Gerhard Schröder and Tony Blair jointly in a statement a couple of years ago. Society should welcome entrepreneurial success as long as competition is free, and not envy it. Society should view failure as a learning experience, not a disqualification. Therefore we would like to see a political commitment towards softer bankruptcy laws to give failed entrepreneurs a new chance. That could preferably be expressed already in Göteborg.

Finally, business wants to see European countries devote more resources to business education, from high school through university levels. The number of students and endowed professorships in business schools is far greater in the US than in the EU. On the recent Financial Times' list of the 100 top MBA programmes only 31 were Europe.

The second area I wish to stress is policies for investment – in research and innovation and in commercialising new knowledge. The EU - on average - lags behind the United States in investment in research and innovation. In a knowledge-based society, investment in new ideas, human capital and intangible assets is the key to economic growth. There is a strong need to initiate a discussion of what governments can do to raise the knowledge-based investment rate in Europe.

EU must address what can be done to increase research and development. To compete with the large US science community, countries and institutions in Europe need both to specialise and to cooperate. Europe needs more centres of excellence in basic and applied research. Europe needs more partnerships between business and research institutes.

Incentive systems for researchers, institutes and companies must encourage co-operation to commercialise new knowledge. We think that a group of leading researchers and businessmen should be called together immediately and requested to deliver a report to the Barcelona Summit on how to improve networks for research and development in Europe.

(*Europe has traditionally been strong in biotechnology research.*) But if Europe is to realise its full commercial potential, development costs for start-ups must be reduced.

Reducing patent costs is an important element. The window of opportunity opened at Nice to finally introduce a Community Patent must be fully used.

We were very disappointed by the lack of progress on that issue in Stockholm. We now expect governments to commit themselves at the Göteborg Summit to take the remaining decisions this year.

A very urgent issue to address is what the EU can do to facilitate investments that commercialise new knowledge. Financing investments in the knowledge-based society is more complex than financing brick and mortar projects that can be handled at the local bank. Increasing research and development costs and shorter product cycles, make investments more risky. Companies are more dependent on bank loans in the EU than in the US. Since bank loans are more expensive and less flexible than money raised through public equity markets, knowledge-intensive companies, especially small ones, are at a disadvantage in Europe compared with the US where equity and risk capital markets are larger and better developed.

It's extremely important that the completion of the single financial market in the EU is speeded up. Business cannot wait until 2005 or 2003 for the action plans

- 1) for financial services and
- 2) for risk capital

to be completed. As I said earlier we welcome the progress made in Stockholm regarding the integrated securities market and the endorsement in that context of the Lamfalussy report's suggestion for greater use of framework legislation. But we are still waiting for political signals for the EU to move faster than the stipulated deadlines in other key areas of the action plans.

The third area, concerns sound public finances, now challenged by an ageing population. Policy co-ordination in the EMU has strengthened budget discipline, reduced public debt and lowered tax levels in many Member States. Sweden, for instance, has made impressive progress in budget consolidation. Business strongly supports this peer review process. It is the core in the preparation and the implementation of the broad economic policy guidelines. Price stability, low interest rates and confidence in continued macroeconomic stability are absolutely crucial for raising the investment rate on a sustainable basis.

Ageing populations now threaten macroeconomic stability. The combination of demographic developments and pay-as-you go pension systems will increase the tax burden on workers in the near future. This development has important implications for work incentives, for migration policies and for pension systems. Governments need to discuss this issue.

Business therefore urges the Göteborg Summit to put the question of how to deal with governments' unfunded pension liabilities on the agenda. We welcome the Commission's intention to present a communication on how to encourage co-operation about pension reform at the European level. We want progress reports on pension reform to be presented to future Spring Summits. A speedy removal of the existing obstacles to investments in equity markets by occupational pension funds is urgent. Such measures will increase the return on pension capital and thus reduce the burden that an ageing population places on public finances.

The final area I wish to call attention to, concerns modernising social security systems enabling support to change. Technical progress involves change. In the knowledge-based economy, companies must rapidly introduce new technologies and also very often new organisations. Employees must learn new skills and change jobs. Life-long learning replaces life-long employment. Without sufficient flexibility on the labour market, technical progress may lead to increased unemployment, with all its personal and social costs. Wages together with the tax-benefit systems must make it more worthwhile for the individual to be employed than unemployed.

Business therefore urges the Göteborg Summit to initiate a review aimed at how to modernise the European model, so as to provide security in support of change instead of security against change.

We have high expectations on the ending Swedish and incoming Belgian Presidencies to give momentum to the process so successfully begun in Lisbon. I expect the Göteborg Summit to follow up Stockholm by focusing ministers' attention on measures aimed to improve the conditions for entrepreneurship, to increase investment in research and innovation, to make public finances capable of coping with an ageing society, and to modernise social security systems so they promote change.

These are big issues. Progress in solving them consists of many small steps. Each step cannot be allowed to take too much time. It has taken 30 years for the EU to negotiate the European Company Statute. Other measures to foster entrepreneurship remain to be agreed upon. Now we must take these small and many steps. I do not want to wait long, to see the day when a Swedish company can protect its patents in a Europe Patent Office and Court, conduct its business in Europe under a common accounting standard, and issue a common prospectus valid in any EU capital market. I do not want to wait long for the Commission's proposals for e-Europe are implemented in all member states.

Finally, let me from a Swedish point of view stress the need for a rapid joining of the Eurogroup. the euro is especially important for SME:s as it reduces costs and risks but primarily as it increase markets and market potentials. The whole of Europe would truly be our home market within EMU.

Many citizens and small businessmen in the EU have become sceptical to this Union. To regain credibility, the EU must quickly take many small steps to realise the Lisbon goals.

Tuesday 29 May 2001

After Stockholm, perspectives for a more friendly environment for entrepreneurs in Europe

Mr Lars Rekke, Chairman of the Industry/Energy Council, State Secretary, Ministry of Industry, Employment and Communications of Sweden

Speaking note

1. Introduction : Perspectives from Stockholm

I would like to start by addressing the following question to you; is there a more friendly environment for entrepreneurs in Europe after Stockholm? My own answer would be yes - and no. "Yes" because we took a number of important decisions and "no" because it will take some time before we see the full effects of these in terms of improved competition and changed attitudes.

At the beginning of the 21st century we face many challenges. In response we must not be defensive. Instead we should have a clear vision, accompanied by concrete action. This vision must include an enterprising Europe where business can prosper and succeed. For two years now we have laid the foundations on which we can build for the future – the Lisbon strategy. Our challenge is now to ensure that we use this strategy for the better.

Despite an internationally slower economic development, I dare say that the EU today is much better equipped to become the most competitive region in the world. This is still not enough. European productivity needs to be strengthened further. In the European Union, over the last 4 years GDP per capita grew by 2% per year and employment increased by 1% per year. During the same period of time, the US achieved growth of GDP per capita at an average of 3.4% and employment by 1.9%.

There is clearly cause for some concern. Several studies, including UNICE's own benchmarking study, show that we also lag behind the US in entrepreneurship levels. A dynamic and competitive economy, capable of sustainable growth, relies on the existence and vitality of entrepreneurs. Entrepreneurial dynamism, measured as business entry and exit rates, is higher in the US where it is 30% than in most Member States, where it varies between 3 and 27 per cent.

Today, I would like to reflect on what we have been able to achieve and then to look forward to the next steps in the Lisbon-strategy focusing on conditions and possible concrete actions to improve entrepreneurial dynamism.

I would like to discuss the following issues with you: First; what did we achieve to improve business environment within the Lisbon strategy and after the Stockholm summit. Second; where is there room for improvement within the reform agenda that aims to make Europe a more competitive region. Finally, I will also address how governments and business jointly can intensify efforts to reach the ambitious goal set.

2. Building on recent achievements and reform - after Stockholm a better business environment

FIRST, building on recent achievements and the reform agenda, I would like to underline that the work carried out on economic reform provides for further stability and improves the business climate for both small and large enterprises. At the Stockholm European Council, economic reform was on the top of the agenda. On a number of issues we managed to move the agenda forward in terms of market openings.

To prepare for the Stockholm Summit, industry and economic affairs ministers met informally in the UK to give input to the Stockholm summit and to ensure that economic reform matters would remain on the top of the agenda. We discussed a Manchester-vision covering seven important priority areas.

I would like to highlight four of these areas. The first priority area is a framework for enterprise. Heads of State and Government agreed on improving quality, timeliness and availability of statistics and conduct benchmarking exercises. The results will be important to highlight areas where further work is needed.

We stressed that small enterprises' interest must be strengthened at the EU level so that the voice of small businesses is heard. Furthermore, the Charter for small enterprises should be made more operational. The Commission will this coming autumn analyse how each of the Member States have implemented the areas included in the Charter. I believe that based on this report we will be able to target areas where further action is called for.

The second priority is improved market functioning and better regulation. The internal market has delivered great benefits, which has transformed the Union's economy. Still, there is too much unfinished business; insufficient integration in some areas continues to hold back economic development and deny business opportunities. Increased market opening is necessary to increase growth and competitiveness. Both industry/economic affairs ministers and Heads of State and Governments manifested the need for deregulation of the European gas and electricity markets. There will be further negotiations and I am confident that at the European Council in Barcelona next year further progress on this important dossier will be made. Moreover, we called for continued liberalisation of the transport market and rapid progress on the public procurement package. Heads of State and Governments confirmed and pushed these items further. We must speed up the completion of the internal market to improve competitiveness and the business climate.

In a well-functioning market, regulation has to be simple. Better regulation is a top priority. Governments must contribute with the right incentives and good framework conditions. If governments provide these frameworks, business can flourish and expand. An improved regulatory environment is an urgent matter for the future competitiveness for European business and entrepreneurs. In order to push things forward, we underlined at the Stockholm European Council that a Commission strategy on better regulation must be presented before the end of this year.

I am very pleased that in Stockholm we reached a consensus on the core elements of the strategy, without ruling out any other possibilities, consisting of four basic elements. These elements are:

- consultation for proposed legislation
- regulatory impact assessment,
- the introduction of schemes for codification and
- ✓ recasting of European legislation and legislation review systems.

We expect that these important matters are dealt with swiftly and effectively and that the necessary reforms are in operation by the end of 2002.

The third priority area I would like to mention is risk capital and financial services. After intensive negotiations we managed to agree on new and simplified decision-making processes for a European market for Financial services. The action plan will be implemented by 2005. The Commission has the mandate to work for the establishment of a well functioning market for risk capital by 2003. A well functioning market for risk capital is top priority. This, I believe, will be of greatest importance for enterprises all over Europe.

The fourth area is innovation and research. Important steps have been taken; for example implementing the European research and innovation area and continued negotiations with a focus to enable frontier technologies as part of the framework programme for research and development. We have also been working hard to coordinate efforts to enhance European excellence in science, and competitiveness in frontier areas such as biotechnology. Europe is

often at the forefront in research findings but when it comes to commercialising the findings, we still have a lot to learn from the US. Small and medium sized enterprises in Europe are often said the last to benefit from R&D. We need to build further on cooperation between universities and local business. Within the area of research in biotechnology and information technology we can find good examples of how universities have cross-fertilized and clustered with local business.

Other areas which were addressed in Manchester and by the Heads of State and Governments in Stockholm are the skills gap and the digital economy. A skills gap and mobility task force is being established to provide recommendations for how to match the demand for skilled labour, in particular information and communication technology skills. e-Europe is highly prioritised and internet security is an important aspect. We need to increase global cooperation to deal with the security aspects in order to promote the development of e-commerce.

This is in short what we have been able to achieve in respect of the Lisbon-strategy during this term. Despite our efforts, the competitiveness gap remains between the EU and the US in significant areas, which also the UNICE bench-marking study shows.

This takes me to the SECOND issue for today.

3. Improving the process and speeding up the reform agenda

How can we further improve the broad reform process to create a good business climate and foster entrepreneurship? I think we all agree that this is not the time to stand still.

A lot remains to be done. In Stockholm we added four important elements to the Lisbon agenda that will contribute to further speed-up the necessary economic reform process. We need to further outline and implement these dimensions. The candidate countries will actively be involved in the Lisbon-strategy. Demographic change and in particular sustainable pension schemes require further discussions. Biotechnology has been identified as an area with an enormous growth potential and is an area which requires further measures. Finally, sustainable development has been added to the process.

We need to implement ALL our priorities. In order to increase the entrepreneurial level we must improve attitudes towards entrepreneurship. Attitudes in society are reflected in the legal framework and the processes and rules we set up. Therefore it is of fundamental importance to work with better regulation to change attitudes. We need to further reflect and study how rules affect behaviour. Enterprises need a flexible framework that responds to the challenges imposed and at the same time stability is necessary.

I consider the Lisbon-strategy to be a good starting-point, consolidating actions, making priorities a lot easier. The focus on economic reform in the Lisbon-strategy is important for creating a good business climate. Personally, I believe that this process with the concrete target set of making Europe more competitive is the best forum or process, available to further discuss concrete actions for a better business climate.

The Lisbon-strategy needs to include concrete actions that facilitate starting a business. We have to ensure that anyone with a good business idea can get the finance they need to get it off the ground. Risk-taking must be encouraged and we must make sure that the EU is the best place to start and grow a business. We need to provide the right conditions to increase possibilities for people to transform their ideas into successful business. This is an area within which the Lisbon-strategy must elaborate. High risks should be offset by high returns and this should also be reflected in the Lisbon-strategy.

FINALLY, I would also like to share my own very personal view, including three concrete proposals on how the Lisbon process as such, can be improved to create better conditions of entrepreneurship and how business/government could cooperate further. There are three important improvements that I think could be done.

First, I believe that there is an urgent need to measure results from the Lisbon-strategy. We need to be able to show where we have improved and where we have not yet succeeded,

both to business, consumers and citizens. I believe there is a need for an in-depth analysis that would show benefits of carrying through and speeding up the Lisbon-strategy. It is important to show the consequences for business if the Lisbon strategy is not implemented as planned. I think that there is a need for a tool that is clear and efficient on which aspects of the Lisbon-strategy that should be reached when and how. Of course it will be a tricky task to elaborate on such a measurement, but I think we should try working along these lines. It should be difficult for decision-makers to escape from implementing important decisions for example in the area of the internal market.

Second, I think we should ensure that economic/industry affairs ministers have the opportunity to give a creative input to the spring councils, the yearly follow-up of the Lisbon strategy. My opinion is that such an input should be given in dialogue with the business community.

Third, I would like to underline that it will not only take actions from governments to succeed but also that of business. We are all important actors in the Lisbon strategy and in the transformation process of economic reform. I think an improved dialogue with business is necessary. We need to further discuss visions, policy proposals and concrete actions. No matter how much we would like to, governments alone cannot change attitudes. The business sector and indeed individual entrepreneurs must set examples and act as role models

To conclude, I would like to think that we have achieved important objectives during this first year of the Lisbon strategy. We have determined the way forward. Now we must ensure that this way forward is implemented and that each and every entrepreneur in Europe can benefit from it. It will take some time but my opinion is that the achievements have made it possible to answer the initial question with "yes"; we have taken the first steps towards a more friendly environment for entrepreneurs [after Stockholm].

Thank you for your attention

Tuesday 29 May 2001

Make it simple to compete !

Mr Pekka Sairanen, Managing Director of Domus and Chairman of the SME committee of TT

Ms Susan Binns, Director of DG-Internal Market

Dr. Arend Oetker, President of Dr. Arend Oetker Holding GmbH & Co, Chairman of the SME committee of BDI and Member of the Presidential Board of BDA

Mr Paul Rübig, Member of the European Parliament and Chairman of SME Intergroup of the EP

Ms Daniela Israelachwili, Acting Secretary General of UNICE

Industry, the Commission and the Legislators all have a stake in creating the environment whereby SMEs can compete

Industry's perspective

The most important factor contributing to the prosperity of Finnish companies has been a successful and simple network strategy, said Pekka Sairanen. The success of many corporations, for instance Nokia, is thanks in part to the input of many SMEs in these networks.

"A networked operational strategy is not confined solely to operations between companies. It is also applied within companies by focusing on what they do best. We cannot be experts in everything. If a company lacks expertise, then we should look to the outside," he said.

Finland's EU membership has meant new and simpler export opportunities. With respect to e-business, companies are expecting to see significant benefits from the simplification of business operations.

"We also have great expectations for the easing up of bureaucracy," Mr Sairanen said. "It is a matter of great importance to us how e-business develops within the public sector, as this occupies a major share of the total economy."

Dr Arend Oetker said that businesses clearly didn't want to be hindered by too many regulations: local, national, and Community: *"We need either simple regulations or self-regulation."*

The Internal Market is still the most important vehicle for European business that has helped simplify the business environment. Rather than 15 sets of regulations, we now have one.

"However, we still have a way to go, and in particular, we urgently need a common European patent. This lack of progress in some key areas has been to the disadvantage of SMEs, taxpayers and the citizens of Europe," he said.

We need to urge our politicians to "speed up" in deregulating the market and simplifying the business environment said Dr Oetker. For instance, we need to urge legislators and bureaucrats to look at labour laws. Europe's labour laws remain one of the principle reasons for a lack of competitiveness vis-à-vis the US. *"We need to press from our side to have a simpler world in which to compete," Dr Oetker concluded.*

The European Commission's perspective

Susan Binns – who represented John Mogg from the European Commission's DG Internal Market – began by quoting from the great inventor, Thomas Edison, who said *"There are no rules here, we are trying to accomplish something".*

"I would argue that no one here is calling for a rule-free economy. Rule making is what the Commission does best. Unfortunately, industry and SMEs are unanimous in complaining of the overburden of rules and regulations".

Even though there are imperfections in the system, the Internal Market has created a simpler regulatory framework. The Internal Market is often in the vanguard and we should all recognise these successes before focussing on the imperfections, she said. After all, let's not forget that the world is a more complicated place.

Ms Binns suggested two areas that require action:

- ✓ First, there are specific acts that need to be accomplished to complete the internal market. We need wider use of mutual recognition, which has the same effect as harmonisation. Without a new set of rules, in some cases, mutual recognition does not work and we therefore need new Community rules, such as, for instance, a Community patent law. Businesses should be lobbying for this.
- ✓ Second, we need simpler regulations. This is a shared goal of the member states and the Commission. Simplification needs to be a political priority that pervades the regulatory process. Clearly, the legislative process needs to be sped up, otherwise, we will be applying yesterday's rules to tomorrow's problems. We need to be more imaginative in involving stakeholders in regulations, using stakeholder expertise better in the preparation of regulation. Stakeholders need to be better organised so as to present a unified voice.

The European Parliament's perspective

To the central question on how to "speed up" the politicians, Paul Rubig MEP, called on entrepreneurs themselves to do the speeding up. The Parliament has some 1,000 initiatives from the Commission each session.

"We need you to tell us where we should focus our attention," he said. He called for "one dialogue partner", a representative voice within industry to supervise the network and pass on information from this network to the legislators and vice versa. He called this a "*practical working contract*", where the "*return on investment*" could be improved through direct personal contacts.

Participants also discussed the possible outcomes of a European Commission working group studying a code for harmonisation of corporate taxes across the EU and debated the issues around standardisation.

Tuesday 29 May 2001

Make it simple to start up new entrepreneurial ventures !

Mr Jérôme Giacomoni, CEO of Aérophile SA

Mr Hans-Werner Müller, Secretary General of UEAPME

Mr Karl Von Wogau, Member of the European Parliament

Mr Luc Clarys, CEO of Clama Mattress Ticking and Chairman of FEB-VBO SME Committee

Mr Guy Zarzavatdjian, Managing Director 3i Benelux

A careful balancing is required

Speakers focussed on what is needed to improve competitiveness in the following areas:

- ✓ Strengthening conditions for entrepreneurship
- ✓ Incentives
- ✓ Red tape
- ✓ Financing
- ✓ Procedures and administrative simplification

Entrepreneurial culture is emerging in Europe, moderator Guy Zarzavatdjian commented, but while there has been an unprecedented level of venture capital start ups and expanding levels of fund raising and investment, considerable progress remains to be made.

The cost of administration and time to start up are unnecessarily burdensome. Improvements in three areas are needed to make it simpler:

- ✓ Innovation – Europe has many leading technology and research facilities. These segments of the market will become increasingly dynamic.
- ✓ Finance – Venture capital investment is rapidly increasing across Europe. The EU and Member States are facilitating access through EIF (European Investment Fund), which should be continued.
- ✓ Management – The biggest constraint on investment activities is the supply of quality management to build successful businesses. Entrepreneurs do not necessarily have management and reporting skills.

Luc Clarys pointed out that a number of venture capitalists are providing funding and more business angel networks are starting up, however, more needs to be done. He recited his experience with the World Bank, which is supposedly committed to focusing on SMEs because they create jobs at local and regional level. However, when he approached it with an \$8 million venture in South America, the project was rejected because "*it was too small.*"

When Mr Clarys tried to open a management company in Belgium he was stonewalled with 14 procedures and eight administrative offices. It took four weeks to get approval that he, already a CEO, was capable of running a company. Everything was done manually. His experiences in Indonesia and Brazil were similar, where it took six months to open a company. In Singapore it took just 24 hours and less than one week in the US.

"Entrepreneurs will be less motivated to start up venture in Europe in today's global economy," he said. *"I am warning the European Union that it is time to stop talking and just make entrepreneurship in Europe more simple,"* he said.

A lot of work yet to do

From the political perspective, the European Parliament is intent on protecting intellectual property and developing a European patent. In addition, copyright and other issues remain on the agenda, Karl von Wogau told participants. It costs DM50,000 for a patent in Europe compared to \$8,000 to \$9,000 in the US.

"We have worked hard to create a single market and it has worked," he said. "But there remains a lot of work yet to do."

Positive steps have been made with eliminating the red tape of border controls within the Internal Market and many technical barriers to trade have been abolished. There used to be 15 different specifications for products compared to today's single European specification.

"The introduction of the euro has eliminated the costs of transferring money and the insecurity of exchange rate fluctuation," von Wogau added.

Small companies have special needs

UEAPME shares UNICE's concerns, Hans-Werner Müller told participants. It is imperative to simplify procedures. This will require a careful balancing among the various interests.

"We must consider the justified interests of small enterprises, consumers, financiers and employees," he said. *"We do not want a wide open market, rather we want a proportionate balance between all the actors involved."*

He warned legislators to go forward with caution because impending consumer and environment legislation will set the European stage for the next ten years.

Small companies are not "*bonsai*" versions of larger ones, Müller pointed out. They have special needs, in particular they need support beyond the start-up phase.

"We've made our diagnosis now it is time to proceed with the treatment," he said. *"The EU needs to implement BEST's ten recommendation. We should not cherry pick, we should just do it."*

Unbearable environment in France

Paying taxes in France is an exercise in quantum mechanics, Jérôme Giacomoni, told participants. His experience with VAT in France was at once inconsistent and frustrating. After paying one-third of his turnover in VAT, he was told it was a mistake. The 35-hour week is a similar debacle. In this regard, Europe is *"a paradise"* for the French. It is no longer bearable to do business in France.

"This is no longer a question of lower costs or fewer working hours, it is a question of democracy," he said. *"We are calling on MEPs to create regulations and legislation because we French believe Europe is a modern country."*

For future consideration

Participants agreed that globalisation is moving so fast that there is dwindling room for cumbersome bureaucracy. It was also pointed out that immigrants, rather than being considered as workers, are often successful entrepreneurs. In Germany and the US, immigrants are responsible for substantial job creation.

Von Wogau pointed out that often incentives work best at regional level. For example, instead of advocating subsidised loans at European level, a better way forward would be to ensure that the European Central Bank's policies create a stable environment characterised by low interest rates.

Tuesday 29 May 2001

Luncheon

Mr Francesco Bellotti, Administrator of Genta Francesco Sas, Vice-President of CONFINDUSTRIA, Chairman of CONFINDUSTRIA SME Committee and Chairman of UNICE SME working group

Speaking note

Welcome everyone! I hope you enjoy visiting the European Parliament. We are expecting positive decisions and initiatives for fostering entrepreneurship from our elected politicians. Job creation is at the top of the EU's political agenda and we know that entrepreneurs create jobs.

Due to the time constraint, I propose that you start eating during while we are speaking, so as to make sure that we are back at the conference room by 2.30 pm.

First of all, I would like to extend my very warm welcome to Mr Ingo Friedrich, Vice-President of the European Parliament, who has taken time from his busy schedule to join us. I am sure he will have some interesting things to say to this forum.

Second, please welcome Mr Christian Hunt, an entrepreneur and Vice-President of GrowthPlus, the organisation that was founded in 1996 to represent the Europe's fast growth entrepreneurs.

It is only appropriate that Growth Plus has chosen to release the 2001 edition of *Europe's 500* at this UNICE Conference for SMEs.

This morning, we have focused on how to make it simple to compete – or should I say simpler to compete – as well as how to make it simple – simpler – to start-up! *Europe's 500* are evidence that entrepreneurship is flourishing in Europe, despite some of the obstacles we are trying to overcome.

Every year, Growth Plus profiles the fastest growing companies in Europe's 15 Member States, plus Iceland, Norway and Switzerland. These "gazelles", as we used to name it, are headed by entrepreneurs who, through innovation and willingness to take risk, continued to create employment across all industry sectors.

Mr Hunt will have some very compelling news for us when he presents this year's top 20 companies.

I thank you for your attention and I hand the floor to our host, Mr Ingo Friedrich.

Tuesday 29 May 2001

Official presentation of the 2001 edition of Europe's 500

Mr Francesco Bellotti, Administrator of Genta Francesco Sas, Vice-President of CONFINDUSTRIA, Chairman of CONFINDUSTRIA SME Committee and Chairman of UNICE SME working group

Mr Ingo Friedrich, Vice-President of the European Parliament

Mr Christian Hunt, Managing Director of EMDS group SA and Vice-President of Growth Plus Europe

"This morning we have focused on how to make it simple to compete – or should I say simpler to compete – as well as how to make it simple – simpler – to start up. Europe's 500 are evidence that entrepreneurship is flourishing in Europe, despite some of the obstacles we are trying to overcome." Francesco Bellotti introducing the luncheon speakers.

"We need lower taxes and a business environment that supports innovation and entrepreneurship. We also need to simplify and reduce our bureaucratic rules." Ingo Friedrich, Vice President of the European Parliament. On the innovation side Europe needs cheaper access to patents and simpler, easy-to-apply legislation that should regularly be assessed for its impact on small business.

Mr Friedrich noted that SMEs do not want to stay small forever, rather they want to grow. Europe needs fast-growing SMEs to create employment. He pointed to US President George Bush's tax reduction as legislation that will give US entrepreneurs a new chance. *"We need the same in Europe. You pay for the Parliament! We hope you are successful in your dialogue."*

Fast growers triple employment – ¼ million jobs for Europe!

Five hundred of the fastest growing companies in Europe have more than tripled their employment over the last five years, creating in excess of 252,000 jobs across Europe, according to the 2001 edition of Europe's 500, published by Growth Plus, the pan-European association for dynamic entrepreneurs. This represents an average 504 jobs per company per year.

The theme of the conference is appropriate because simplification will help create start-ups, said GrowthPlus Vice-President Christian Hunt. *"Why do I insist on growth? Because we at GrowthPlus believe fast growing companies are essential to the economic welfare of Europe."*

Consider the US where total employment has grown twice as fast as in the EU. In the US employment has increased by 40% compared to 5% in Europe. *"The good news is that we do have high growth companies in Europe," he said. "The bad news is we don't have enough of them."*

The numbers say it all

The 2001 Europe's 500 shows job creation and dynamic growth across all industry sectors. Internet and computer specific companies are the largest sector (168 companies) recording the fastest growth, in excess of 40% annually both in employment and turnover growth.

Growth is reported across consumer-related businesses, communications, medical, health and transportation. Manufacturing, construction and industry represent 18.6% of the companies listed and manufacturing remains the sector with the greatest sustained growth over the longest period (since 1992). Companies in agriculture, fishing and forestry created an outstanding average of 1,051 jobs per company and those in consumer related activities 1,053 jobs each. More than half (59%) of these 500 are SMEs with fewer than 100 employees at the beginning of the search period. But they are fast growers, or "gazelles", because they have increased employment at a steady annual average of 24.71% but have also collectively tripled turnover from Euro 16.7 billion to Euro 53.1 billion, an increase of an annual average compounded rate of nearly 26%.

"Europe's high growth companies are the drivers of employment," Mr Hunt told participants. Growth is not industry specific, but entrepreneur driven. Fast growers were found in all countries, with the top 20 coming from 10 different countries and representing nine sectors.

"Despite the hurdles we face in Europe, we do have growth," he concluded. ***"We need an environment that 'incentive-is' rather than penalises"***

Tuesday 29 May 2001

Make it simple to employ more people !

Mr Michel Rocard, Member of the European Parliament and Chairman of the Social Affairs Committee

Mr Kieran Crowley, CEO of Ryecourt Business Consultants, Chair of the Irish Small Firm Association

Mr Emilio Gabaglio, Secretary General of ETUC

Mr Mogens Fog, Entrepreneur and Chairman of the SME Committee of DI

Mr Wilfried Beirnaert, Chairman of the UNICE Social Affairs Committee

SMEs are particularly vulnerable to the skills gap and the burden of administrative regulations

In the Netherlands, one-third of jobs came from SMEs. Much of this success comes from an investment in long-standing wage moderation policies and strategies for increasing labour flexibility, said moderator Wilfried Beirnaert.

We should contrast this with the situation in Belgium, where one recent study demonstrated that four out of ten enterprises did not recruit even though they needed workers. This was due to:

- ✓ The amount of red tape
- ✓ Rigidity in employment legislation
- ✓ Shortages on the labour market

While it is true that most European companies are affected by a shortfall in skilled labour and the burden of administrative regulations, SMEs are more vulnerable. Indeed, many SMEs have no choice but to reduce level of activity because they can not fill vacancies. Given that the amount of administrative burden is irrespective of the number of employees, the administrative cost per employee is therefore higher for SMEs.

Michel Rocard MEP discussed the difficulties he faced as Prime Minister of France in trying to reduce the massive amount of social, administrative and fiscal paperwork. He admitted, however, that he was not successful, as the challenge was too great.

He did have some advice on improving the lot of SMEs in the area of employment:

- ✓ Do not rely entirely on governments to drive employment policy – you need to become the driving force.
- ✓ Focus on new information technologies – this is an area which creates jobs.
- ✓ The problems with labour flexibility need to be balanced with job security – and public authorities must establish that balance.
- ✓ We need to look at the essential role of training, industrial re-conversion and the decline in rural areas. We can not address the challenge unless employers and the public sector come together.

Ireland is often cited as a shining example within Europe for its achievements on the employment front. Kieran Crowley cited three factors:

- 1) BASIS – Business Access to State Information and Services is part of the Irish government's action plan to "*implement the information society in Ireland*". BASIS provides business with a single access point to all government information and services. The initiative arises from a commitment by all levels of government to improve the compliance processes that affect business in Ireland by delivering electronic information and services based on "*life events*" of a business. Examples of "*life events*" include: business start-up and development, company registration and

regulation, employing and training staff, paying taxes, financial assistance, importing and exporting, and licensing and authorisation.

- 2) Ireland has had remarkable success in creating new jobs. Ireland has gone from 16% unemployment a few decades ago to 2.5% today. This is thanks to partnerships between government, employers and social partners. It has been able to fill these jobs thanks to a large reservoir of unemployed people, the baby boom of the 1980s, and a significant number of Irish men and women who emigrated to Europe and elsewhere looking for jobs and who have now come back. Ireland, however, has had a much harder time attracting new labour from other countries. The key problem often cited is in the scarcity of housing, largely due to poor regulation in the construction industry.
- 3) The third area is illustrated by the success of a friend of the speaker, who built a huge business and decided to sell it on to larger company who paid him in shares, worth €20 million. When the new company was subsequently sold for €40 million in cash, this friend found himself in an even better financial position. And yet, he said "*he would never again want to have another employee.*" This example illustrates the burden that affects employers – even in Ireland.

Mogens Fog was equally concerned with the enormous challenges affecting SMEs, particularly in Denmark, which has one of the highest income tax rate. He focused on how taxes can influence the supply and demand for labour and urged for tax reform. According to Mr Fog, "*SMEs are losing the battle for skilled labour.*"

When workers in the highest percentile are paying income tax of 60%, as is the case in Denmark, there is no incentive to work harder. You can find in *the 2001' UNICE benchmarking report "The re-Newed Economy, Business for a dynamic Europe"* that Denmark's "first tax-free day" is the 13th of August. He also cited a "work environment fee" for Danish employers as without any sense.

It is also harder and harder for SMEs to attract skilled workers. For one, small companies cannot offer the same opportunity as large ones. He called for a greater focus on education policies to address the issue of appropriate skills adapted to the needs of the marketplace.

One aspect of the internal market, he said, was that there was supposed to be free movement of workers. Unfortunately, with the employment policies in Denmark, it was very hard to attract the right kind of workers.

"It is not always the demands of customers that dictate production capacity, but the supply of the workforce," he said. *"We need less and better labour market regulation, and the only way for Europe to move forward is to focus on SMEs."*

A labour perspective

Speaking on behalf of the trade unions, Jean Lapeyre said Europe needed to "create more and better employment". However, he added "*we shouldn't be obsessed with flexibility, neglecting the other side of the balance. We also need to be concerned with job security.*"

He cited some of the challenges facing SMEs (50% of SMEs do not make it beyond three years). For one, very, very often, large companies often delay payments, causing a lot of bankruptcies. SMEs also face rising investment costs. It is very difficult for them to keep up technologically.

In sum, trade unions are not opposed to flexibility, but want to balance flexibility with job security.

Tuesday 29 May 2001

Make it simple to develop a business !

Mr Colin Perry, Chairman of LTE Scientific Ltd., Vice-Chair of UNICE SME working group and of CBI SME Council

Mr Fabio Colasanti, Director-General of DG-Enterprise

Ms Karla Peijs, Member of the European Parliament, Chairman of the SME Union of the EPP

Mr Leif Lindberg, Chairman of Intellecta AB and Vice-Chair of UNICE SME working group

Mr Bruno Vever, Economic and Social Committee

Simplicity a cornerstone for business development

Moderator Bruno Vever pointed out that SMEs benefit considerably from the Single Market and the euro. At the same time, SMEs have become more competitive. This is a clear sign of progress. As a result, exchange and dissemination of best practice is a good way to "use Europe" on behalf of SMEs.

Nonetheless, complexity of legislation is a big issue, which is why the Economic and Social Committee recently adopted an opinion on simplification and codes of good conduct for European institutions.

"We have some simple tools that are not yet working and policies such as tax harmonisation that are not yet properly carried out," he said. "SMEs are not concerned with major European legislation. They need practical issues solved such as creating a European patent. There are large gaps between our intentions and our actions."

Helping businesses to grow

Conference participants have discussed how to remove obstacles, but now it is time to discuss how to make businesses grow, Colin Perry told participants. He noted that a recent survey found that 13% of businesses in the UK had an organic growth rate in excess of 5% per year.

"That's not real growth, that is standing still," he said.

Creating a successful business involves balancing risk and reward and governments have an effect on both factors and should do more to encourage growth. This involves reducing risk and creating incentive policies to increase rewards.

Leif Lindberg agreed that in Sweden, SMEs seldom grow into large companies, they are either bought up or disappear. This is due to excessive red tape, taxation and unfair regulations. He gave an example of a plastics company that almost had to shut down because of cumbersome inheritance taxes and bungling by authorities.

"In an SME friendly society, this never would have happened. Perhaps the EU is the rescuer for these types of problems," Lindberg said.

Procedures should be streamlined

Fabio Colasanti reported on the results of a Commission benchmarking exercise to compare the number of licenses required and authorities involved in authorisation for investments. Eight EU countries and three others were compared over a three-year period. In some cases one or two licenses were required and as many as nine authorities involved. It appeared that Finland and the province of Quebec (Canada) doing something right as it took 12 to 40 days in Finland and 14 to 30 in Quebec.

"Procedures such as these need to be sped up," he said. "The question now is how do we go from here to ensure the wealth of information regarding best practices is translated into action."

Finding the heart

MEP Karla Peijs commented that SMEs are the "*backbone of the political power*" in her party and in politics in general. SMEs are near to a politician's heart and to keep enterprise at the top of the political agenda, SMEs should keep in mind that finding the heart of the group you want to lobby is key.

The SME Intergroup of the European Parliament is an important platform for access to the Commission, she reminded participants. SMEs have a voice through an interactive website where they can comment about legislation and share their views on both policy and legislative issues.

Ms Peijs noted that an independent agency from the European Commission should be set up to evaluate the impact of legislation on businesses.

"We are sometimes removed from what entrepreneurs need," she said. *"They must inform us of their priorities."*

Mr Vever pointed out that the Economic and Social Committee supports the idea of an autonomous analysis and has sent a proposal to that effect to the Commission.

Mr Colasanti said that impact analyses have been in existence since 1986 and although they have been working well, it is sometimes difficult to implement what is necessary because of political restraints.

Ms Peijs warned that a move to secure all government contracts through public procurement could have a very negative effect on small communities and the SMEs that drive their economic growth and urged UNICE members to *"work with us on this one."*

Concluding speech

Baron Georges Jacobs, President of UNICE

Monsieur le Commissaire,
Mesdames et Messieurs les Députés,
Chers collègues entrepreneurs,
Mesdames et Messieurs,

Nous voici parvenus à la fin de cette intéressante journée d'échanges et de débats sur un sujet essentiel pour l'avenir de l'Europe, les entrepreneurs.

Tout d'abord, je voudrais remercier tout particulièrement tous les orateurs pour la qualité et la pertinence de leurs interventions. Mes remerciements vont également à tous les participants présents aujourd'hui pour l'intérêt des débats et la pertinence de leurs questions qui, j'en suis certain, nous ont à tous permis de mieux comprendre à la fois les enjeux et, surtout, le point de vue particulier des entrepreneurs.

Comme vous le savez, l'UNICE, en tant que représentant des intérêts des entreprises et des milieux d'affaires en Europe, retrouve parmi ses membres un grand nombre de réalités différentes: es différences culturelles entre des entreprises issues de 26 pays différents en Europe, mais aussi des différences dans le style et les préoccupations des entreprises, entre les grandes entreprises européennes et des entreprises petites et moyennes dirigées par un entrepreneur homme-orchestre.

Le rôle de l'UNICE est bien de concilier ces contradictions et d'agir pour que naîsse un environnement dans lequel toutes les entreprises puissent évoluer, se développer et croître dans les meilleures conditions, pour le plus grand avantage de l'emploi et de la société tout entière.

Dans cette perspective, l'UNICE essaie d'être un point de rencontre entre ces entrepreneurs et les décideurs politiques européens, les institutions européennes.

Pour finir, mes remerciements vont à la présidence suédoise de l'Union européenne pour son aimable participation aux débats d'aujourd'hui, ainsi qu'aux membres du Parlement européen, pour l'intérêt sans cesse renouvelé dont ils font preuve à l'égard des entreprises et également pour l'accueil que cette éminente maison a bien voulu offrir à notre événement.

Je juge par la satisfaction entendue au détour des couloirs que cette deuxième édition de la conférence pour les PME de l'UNICE est un succès. La participation constitue un nouveau record si je puis m'exprimer ainsi, tant par le nombre que par la qualité des participants et des débats.

Cet événement, fait par les entrepreneurs et pour les entrepreneurs, s'est imposé en quelques années comme une nécessité. Ce dialogue au niveau européen est nécessaire parce que :

- ✓ La complexité attachée au statut d'entrepreneur aujourd'hui est un réel obstacle. Cette complexité tue la créativité, l'intelligence et le sens des affaires qui sont mis en œuvre par cette espèce en voie de disparition ou qui pourrait le devenir, que sont les entrepreneurs. Nous avons vu et entendu au cours de cette journée que l'Europe et les Européens peuvent être meilleurs que nos concurrents naturels, les Américains. Nous pouvons être meilleurs, mais ce dont nous avons un besoin urgent, c'est d'un environnement qui soutienne réellement l'initiative privée, qui la reconnaît et qui la favorise; un environnement qui récompense cet esprit d'initiative quand il rencontre un succès dont l'ensemble de la société tire profit, mais aussi qui pardonne et ne stigmatise pas l'entrepreneur qui a subi un revers de fortune. L'échec fait aussi partie de la loi de la concurrence et de la libre entreprise.
- ✓ Nous sommes dans notre rôle lorsque nous appelons nos gouvernements, les décideurs politiques, à organiser un marché unique plus cohérent en ce qui concerne l'accès au financement des entreprises, une réglementation plus favorable aux

transmissions d'entreprises avec une fiscalité moins lourde qui n'hypothéquerait pas l'avenir de 15% des petites et moyennes entreprises européennes au moment où elles changeront de mains dans les 5 à 10 années qui viennent.

Ce dialogue est nécessaire parce que :

- ✓ Certaines priorités doivent voir proposer aujourd'hui et demain des solutions efficaces cohérentes à des problèmes urgents : l'environnement réglementaire dans lequel évoluent nos entrepreneurs doit être simplifié afin d'autoriser l'entrepreneur européen à consacrer son énergie, son temps et ses ressources à faire son métier d'entrepreneur, à développer son entreprise, à créer de la valeur, et non pas à s'adapter continuellement à des contraintes bureaucratiques et administratives sans cesse plus lourdes et redondantes. Les règles applicables dans les États membres doivent permettre aux entreprises d'y développer leurs activités. Sans parler d'harmonisation, il doit au moins y avoir un profond mouvement de convergence des différentes procédures administratives auxquelles sont soumises les entreprises européennes à chaque étape de leur cycle de vie. La simplification sera source d'initiative et de création d'emplois en Europe : Make it simple !

Ce que demandent aujourd'hui les entrepreneurs, c'est qu'on les laisse faire leur métier, mener à bien leurs idées, construire et développer. L'innovation est notre avenir dans tous les secteurs de la vie économique. Offrons plus de flexibilité aux entrepreneurs, dans les entreprises. Comme va vous le confirmer le Commissaire Liikanen dans un instant, « SMEs are the rule, not the exception ». Conservons cette citation en mémoire.

Enfin, un dernier point important que le calendrier m'impose d'aborder aujourd'hui : l'euro. L'euro entrera en vigueur dans tous les États membres de la zone euro au 1er janvier 2002. Ce sera une opportunité fabuleuse pour les entreprises européennes de se développer, de gagner de nouveaux marchés, en particulier au plan international, et de participer à un marché unique européen amélioré, plus concurrentiel et avec des prix plus transparents pour tout le monde. Cependant, beaucoup d'incertitudes demeurent à cette heure. Selon une étude récente, bien que 57% des entrepreneurs européens aient tout à fait confiance dans la capacité de leur entreprise pour réussir le passage à l'euro, la moitié des entrepreneurs européens avouent n'avoir encore pris aucune mesure ou arrêté aucun plan d'action en vue de ce passage à l'euro. Ces données sont préoccupantes pour la continuité de l'activité économique, sachant que la limite pour basculer les entreprises vers l'euro est dans 6 mois maintenant. Des actions d'information, d'incitation et d'assistance sont indispensables si nous voulons éviter des problèmes de nature à bloquer une partie de l'activité économique en Europe.

Enfin, ce dialogue est essentiel parce que :

- ✓ Le dialogue avec les décideurs politiques est primordial pour nos entrepreneurs. C'est le rôle de l'UNICE de donner la parole aux acteurs qui quotidiennement construisent l'Europe des entreprises et utilisent concrètement ces réglementations qui sont souvent décidées ici à Bruxelles. L'UNICE maintient un dialogue constant avec l'ensemble des décideurs politiques, que ce soit au niveau européen bien sûr, mais aussi au niveau national souvent. Dans quelques minutes, j'aurai le plaisir de donner la parole au Commissaire Liikanen. Il est membre de la Commission européenne et a en charge le portefeuille "Politique d'entreprise et société de l'information". A ce titre, il est l'un des décideurs européens les plus concernés par les questions qui nous ont occupés aujourd'hui, et je dois le dire, il est aussi l'un des plus à l'écoute des besoins particuliers des entrepreneurs en Europe. C'est vous dire combien je suis heureux que le Commissaire Liikanen ait accepté de clôturer notre conférence aujourd'hui.

Encore merci à tous, et je passe la parole au Commissaire Liikanen.

Tuesday 29 May 2001

Concluding speech

Mr Erkki Liikanen, Member of the European Commission, Enterprise and information society

Speaking note

Ladies and Gentlemen,

Let me start by congratulating UNICE for organising this conference, which once again offers a stimulating programme with interesting issues and speakers.

This year's conference theme "Make it simple!" reminds me of our discussion at your last conference in October 1999. On that occasion, we spoke about enterprise culture and the challenges ahead.

I told you that the Commission wants to concentrate on making procedures simpler, thus making life easier for entrepreneurs. Today I would like to tell you where we are with our efforts and what should be done next.

Lisbon, Stockholm and beyond

At your last conference we all agreed that entrepreneurs are central to our economic and social success. We also agreed that Europe needs many more entrepreneurs to sustain and to improve its performance. Since then, we have achieved a lot.

Last spring, the Lisbon European Council put enterprise at the heart of the European agenda. Lisbon was an important turning point. There we decided upon the direction in which to go, which is that by 2010 the European Union should become the most competitive economy in the world.

We also put things on the right track by focussing on strengthening the Internal Market and competitive enterprises.

A few weeks ago, the Stockholm European Council stressed the commitment to keep a fast pace.

It was decided to strengthen our efforts when it comes to cutting red tape. It was appreciated that important instruments such as the new Multiannual Programme for enterprise and entrepreneurship, the European Charter for Small Enterprises and benchmarking exercises are now at hand.

They will substantially contribute to the improvement of the business environment.

The European Council also invited the Commission to prepare proposals for quantitative targets in enterprise policy. These targets will allow Member States to set themselves goals appropriate to their specific situation, to compare their performances and to learn from each other.

The objective is to accelerate the pace of reform and modernisation and to focus our efforts on key areas where improvements are necessary. Discussions are still in an initial phase, but I am convinced that we will achieve this important step in the near future.

Though there is no doubt about the strong commitment towards change and improvement, we all know the saying "What gets measured, gets done".

Although at Stockholm enterprise policy was central to the agenda of heads of state and governments, there is no guarantee that it will stay there. All of you – business people as well as politicians – know how long it can take to change things.

Meeting the Lisbon target by 2010, despite appearances, leaves little time, in fact, to implement all that is necessary. It is therefore essential not only that enterprise issues continue to remain high on the political agenda, but also that we pursue the necessary reforms with urgency and determination.

Entrepreneurship

To achieve the Lisbon goal, we must use the full potential of entrepreneurship. Europe will never be really competitive as long as we are less entrepreneurial than our competitors.

Statistics on the creation of new firms clearly show that we are lagging behind. These figures are well known and we also know some of the reasons for this.

The European Commission recently published the results of a Eurobarometer survey that asked questions about attitudes towards entrepreneurship and risk-taking.

[slide 1: self-employment vs. being employed] One question was, whether people would prefer self-employment to dependent employment. In the US, nearly two thirds said that they would prefer self-employment. In Europe, more than every second person asked would prefer self-employment. However, there are major differences between Member States: people in Nordic countries are more oriented towards an employee role. In southern countries and in Ireland, people would prefer to be self-employed.

Let us look at other answers given in that survey. **[slide 2: “One should not start a business if there is a risk it might fail”]** People were asked if they supported the statement “One should not start a business if there is a risk it might fail”. As you can see, in the EU 45 % agreed with this statement, whereas in the US only 27 % did so. The willingness of people in the US to take risks is clearly one of the assets of the American economy. Encouraging risk-taking therefore is a major challenge for all of us.

We very often simply state that this negative attitude towards risk-taking in Europe is due to the fact that entrepreneurs who tried but failed are easily stigmatised. This is not correct.

[slide 3: “People who started a business and failed must be given a second chance”] The offer of a second chance to people who failed is seen as normal on both sides of the Atlantic. A huge majority is clearly not stigmatising those who failed. This is at least true when it comes to social stigmatisation. However, as we know for example from last year's UNICE Benchmarking Report, stigmatisation might take place through other means, such as bankruptcy laws.

The survey addresses many other interesting questions related to entrepreneurship. Let me concentrate on some interesting findings:

- ✓ The support of Europeans for entrepreneurship and entrepreneurs is much greater than is often stated.
- ✓ While supporting entrepreneurship, Europeans do not choose to become entrepreneurs themselves.
- ✓ Most people think that entrepreneurs who tried but failed should be given a second chance.
- ✓ It is not easy to list all the reasons why support for entrepreneurship does not translate into producing as many entrepreneurs in reality.
- ✓ It is clear that there are many socio-economic and cultural reasons explaining this as much as explaining north-south attitudes towards entrepreneurship across the EU. We are currently exploring the survey results in somewhat more detail to determine some of these reasons.

[slide 4: “What makes people more entrepreneurial?”]

This analysis clearly shows that education makes a difference: if the level of education moves from low to intermediate, this has a positive impact on the willingness of people to become

self-employed. This result indicates the importance of training below the level of universities, such as vocational training or specialised training courses.

These results also confirm what we just discussed. A positive attitude towards risk-taking is a driving force for entrepreneurship. This means that measures encouraging risk tolerance will ultimately materialise in improved entrepreneurial spirit.

Whatever the case, it seems to me that there are three areas that need to be addressed:

- ✓ We must make the creation of a new firm easier.
- ✓ We must be more willing to give a second chance to people who tried but failed.
- ✓ We must reward success. This important issue is highlighted in UNICE's Benchmarking Report 2001. ([ADD LINK](#))
- ✓ When addressing these issues, we must make a clear distinction between what can and should be done at which level.

Many administrative obstacles about which SMEs complain, such as the length to set up a new business, occur at a local, regional or national level. Other areas are under the responsibility of Member States or the European Union.

Each of these levels has to take its responsibility. The Commission started a major effort to assess better the impact of new legislation on businesses and to cut red tape.

An important tool where all of us can work together is the identification and exchange of best practices. The Commission and Member States have developed a series of projects to identify and exchange best practices within these areas.

Important benchmarking work is underway, and the first results will be presented by the end of the year:

We are currently benchmarking the administration of start-ups.

We are looking into business failure and bankruptcy laws with a view to better understanding these highly complex issues and to present solutions.

The Commission is examining the way in which stock options are taxed in Member States and how this important instrument could be better exploited.

Risk-taking is at the heart of dynamic entrepreneurship. It is not only crucial for someone who starts a new business, but also an element of all other steps of a firm's life cycle. Each decision an entrepreneur has to take about innovation, recruitment or investment requires some willingness to take risks.

We, as policy-makers, must create framework conditions where entrepreneurs can do so with the additional burden limited to that which is really necessary. This includes regulation.

As your conference theme says, we must keep it simple. We must also keep it fast, in order to adapt more easily to new developments.

Knowledge-based economy

All of us are familiar with the explosive growth of new firms in the second half of the 1990s and the subsequent collapse of many, following the burst of the stock market bubble.

This, does not mean that nothing is left in the ashes. In fact the "new economy" is now a key component of our economies and an important factor in raising our standard of living.

We must ready ourselves to exploit all the potential the new economy offers us. This is so for governments and businesses.

We must widen use of the Internet, which is still not sufficiently exploited by many European businesses and households. Challenges also emanate from a whole range of information and communication technologies.

The possibilities they offer are very often not sufficiently used. The Commission will continue its efforts to improve the framework conditions, for example by further liberalisation. Both

consumers and businesses appreciated the substantial reduction in communication costs in Europe, which were the results of such liberalisation.

These technologies are available to all businesses. It is now important to use them efficiently. Beyond the hype in the stock market, the real benefits from the use of these technologies were a key driver for American success in the last decade. European shortfalls in this area have been due mainly to two factors:

- ✓ A lack of skills and the hesitation of smaller firms to use new technologies.
- ✓ Though unemployment is still too high across Europe, many firms complain that they do not find workers with the right kind of skills. **[slide 5: skills shortage perceived by SMEs]**

In a booming economy such as Ireland's, one out of five SMEs sees the lack of skilled workers as an important constraint on their development. A recent estimate for Germany identified a shortage of 13.000 university graduates – in the fields of electronic and ICT engineering alone. Experts are warning that this could even hamper economic growth.

The Stockholm European Council stressed the fact that improving basic skills is a top priority. The Council mentioned explicitly IT and digital skills and invited the Commission to present a detailed work programme on education and training systems in spring 2002.

Member States also agreed that the modernisation of labour markets and labour mobility is crucial for success.

In the meantime, Enterprise Directorate-General has already launched a project where we will look – together with Member States – into the skills shortage in ICT. A monitoring group will identify best practices to improve the availability of the right kind of skills.

Other important work is on its way to encourage SMEs to take up new technologies. As a follow-up to the Commission's GoDigital initiative, we have just started a series of workshops. Here we very much focus on B2B as the main driver of e-business.

B2B is where the real business is, bringing together the old and the new economies. B2B stands for reduced purchasing and procurement costs, reduced time-to-market, improved product and service quality, and higher productivity.

These processes have to be driven by the private sector. However, the public authorities have a role to play when it comes to the creation of the right framework conditions.

Conclusion

As you can see, a lot has happened in the field of enterprise policy since we met last in this context.

I am convinced that we are on the right track. It is now important that we keep up a fast pace. We have to keep enterprise high on the agenda of European politics.

This includes a lot of serious groundwork, in many areas. I gave you some examples of what we are already doing. In addition, we must continue with determination – and even foster – the course of economic reform, liberalisation and stability.

As long as we are serious at all these levels, I am convinced that we can create a business environment where competitive enterprises can continue to flourish and create the wealth necessary to raise the standards of living across all nations in the European Union.