

**SPEAKING
NOTE**

THE 2ND OECD CONFERENCE FOR MINSITERS RESPONSIBLE FOR SMES

Mr. Severi Keinala's

Intervention at Business Symposium
"SMEs Competing in a Knowledge Economy"
3 June 2004

SESSION 3:
"IMPLEMENTING TECHNOLOGICAL INNOVATION:
ADOPTION OF TECHNOLOGICAL INNOVATION BY SMES"

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Introduction: Mr. Severi Keinala; UNICE (Union of Industrial and Employers' Confederations of Europe), Entrepreneurship and SME Committee member

- Adoption of technological innovation by SMEs is not something we can achieve by order or a decree. It can be facilitated by creating right conditions.
- Innovation is a fundamental necessity for companies to be competitive, but it cannot exist in vacuum. It requires an entrepreneurial spirit as a base to grow from. There is well acknowledged interdependence of entrepreneurship, innovation and competitiveness.
- The first condition for adaptation of technological innovation is an environment that supports entrepreneurial activity. Entrepreneurial mindset must prevail within the company's management and staff in order to create dynamic capability necessary for innovation. UNICE is of the strong opinion that public policy should promote entrepreneurial behaviour through education and training.
- UNICE continues to promote positive developments within public sector that enhance the right conditions for innovation and its adoption in SMEs. In the following I mention six such areas.
 1. Research and development spending is a key factor. EU target of R&D spending of 3 % of GDP would boost the GDP growth and help to create new jobs. Governments need to increase not only public spending on R&D, but also reduce tax obstacles and create fiscal incentives for private R&D spending.
 2. A strong and comprehensive system of protection for intellectual property rights is essential. Especially for SMEs an easy and reasonably priced protection for their inventions is needed. Governments should reinforce their support services to help enterprises manage their intellectual property portfolio efficiently.
 3. National governments must build and strengthen their national innovation strategies, co-ordinating across government departments relevant to innovation.
 4. Rapid changes in working environment put pressures on skills of the workforce. Education and training system needs to respond to the needs of knowledge economy.
 5. National governments also need to take a good look at the university systems to promote innovation orientated research and encourage university-business research partnership and especially in Europe improve mobility of researchers.
 6. Finally, clusters and networks among companies, with universities and research institutes and public sector actors are a major source of innovation and major channel for diffusion of innovations. Governments should encourage clusters and networks not only within a given country, but increasingly cross-border interaction between actors is needed.

- The OECD Oslo manual draws a very useful map of the necessary conditions for innovation to take place. According to the Oslo manual necessary conditions include framework conditions and institutions, science and engineering base, transfer factors and the most importantly the elements that lie within the company, the innovation dynamo.
- The essential element of transfer factors is also recognized in the draft recommendations of this business symposium under the heading of “importance of collaboration with regional stakeholders”. In practice, not always, but quite often business is represented in networks involving universities, public and private sector actors by large companies. Clusters are often based on the interests of large enterprises, while SMEs’ access to these knowledge networks is often difficult to achieve.

Questions to the panel:

- It would be interesting to hear the panel to elaborate on SMEs’ role in these value chains and SMEs’ potential to enhance the innovative element in clusters and networks.
- Secondly, I think it would be interesting for the audience to hear of your experiences or best practices regarding measures enhancing especially SMEs’ access to these networks and releasing SMEs’ innovative potential for the benefit of all.

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