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**European lessons from policies aimed at fostering entrepreneurship and small business in traditional sectors.**

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Policies to foster entrepreneurship and small business in Europe are new and took momentum in 2008 with the launch of the European Small Business Act which represents an innovation in a long history of public policies mostly focused to support European and national industrial champions.

**The European Small Business Act**

At the heart of the European SBA is the conviction that achieving the best possible framework conditions for SMEs depends first and foremost on society's recognition of entrepreneurs. The general climate in society should lead individuals to consider the option of starting their own business as attractive, and acknowledge that SMEs contribute substantially to employment growth and economic prosperity. As a key contribution to achieving an SME-friendly environment, the perception of the role of entrepreneurs and risk-taking in the EU will therefore have to change: entrepreneurship and the associated willingness to take risks should be applauded by political leaders and the media, and supported by administrations. Being SME-friendly should become mainstream policy, based on the conviction that rules must respect the

majority of those who will use them: the "Think Small First" principle.

This is why the "Small Business Act" aims to improve the overall policy approach to entrepreneurship, to irreversibly anchor the "Think Small First" principle in policy-making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development.

The SBA builds on the Commission's and Member States' policy achievements, creates a new policy framework which integrates the existing enterprise policy instruments, and builds in particular on the European Charter for Small Enterprises and the Modern SME policy. To implement this ambitious policy agenda, the Commission is proposing a genuine political partnership between the EU and Member States that respects the principles of subsidiarity and proportionality.

The symbolic name of an "Act" given to this initiative underlines the political will to recognise the central role of SMEs in the EU economy and to put in place for the first time a comprehensive policy framework for the EU and its Member States through:

- a set of 10 principles to guide the conception and implementation of policies both at EU and Member State level. These principles outlined in detail in chapter 4 are essential to bring added value at EU level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU:

I Create an environment in which entrepreneurs and

family businesses can thrive and entrepreneurship is rewarded

II Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

III Design rules according to the “Think Small First” principle

IV Make public administrations responsive to SMEs’ needs

V Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs

VI Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions

VII Help SMEs to benefit more from the opportunities offered by the Single Market

VIII Promote the upgrading of skills in SMEs and all forms of innovation

IX Enable SMEs to turn environmental challenges into opportunities

X Encourage and support SMEs to benefit from the growth of markets

- a set of new legislative proposals which are guided by the “Think Small First” principle:

- General Block Exemption Regulation on State Aids (GBER)

## The European Digital Agenda

While many parts of the economy have been quick to take up digital technologies and processes, European industry across sectors and regardless of a company's size must fully use digital opportunities if it is to be globally competitive. Traditional sectors (like construction, agro-food, textiles or steel) and SMEs are particularly lagging behind in their digital transformation. Recent studies estimate that the digitisation of products and services will add more than €110 billion of revenue for industry per year in Europe in the next five years. Several EU Member States have already launched strategies to support the digitisation of industry. But a comprehensive approach at European level is needed to avoid fragmented markets and to reap the benefits of digital evolutions such as the internet of things.

As part of this approach, the Commission will:

- Help coordinate national and regional initiatives on digitising industry by maintaining a continuous EU-wide dialogue with all actors involved.
- Focus investments in EU public-private partnerships and strongly encourage the use of the opportunities offered by the [EU Investment Plan](#) and [European Structural and Investment Funds](#).
- Invest €500 million in a pan-EU network of digital innovation hubs (centres of excellence in technology) where businesses can obtain advice and test digital innovations.
- Set up large-scale pilot projects to strengthen internet of things, advanced manufacturing and technologies in smart cities and homes, connected cars or mobile health

services.

- Adopt future-proof legislation that will support the free flow of data and clarify ownership of data generated by sensors and smart devices. The Commission will also review rules on safety and liability of autonomous systems.
- Present an EU skills agenda that will help give people the skills needed for jobs in the digital age.

## **Implementing the Digital agenda through an e-skills Policy**

On 17-18 October 2016 more than 200 policy makers, business leaders and experts gather in Bratislava, Slovakia to take part in the conference 'Europe in the Digital era - where skills are making the difference'. The event reflects on how digital technologies are transforming the way we live, learn and work at a pace never seen before.

This event followed the adoption of the new Skills Agenda for Europe on 10 June 2016 which proposed 10 actions to be taken forward over the next two years by the European Commission and that cover the following actions :

- A Skills Guarantee to help low-skilled adults acquire a minimum level of literacy, numeracy and digital skills and progress towards an upper secondary qualification.
- A review of [the European Qualifications Framework](#) and the [related annexes](#) for a better understanding of qualifications and to make better use of all available skills in the European labour market.
- The 'Digital Skills and Jobs Coalition' to support co-

operation among education, employment and industry stakeholders.

- The 'Blueprint for Sectoral Cooperation on Skills' to improve skills intelligence and address skills shortages in specific economic sectors.

Subsequent actions include:

- A revision of the Europass Framework, offering people better and easier-to-use tools to present their skills and get useful real-time information on skills needs and trends which can help with career and learning choices. A [proposal](#) to revise the Europass Decision was adopted by the Commission in October 2016.
- A 'Skills Profile Tool Kit for Third Country Nationals' to support early identification and profiling of skills and qualifications of asylum seekers, refugees and other migrants.
- Making Vocational Education and Training (VET) a first choice by enhancing opportunities for VET learners to undertake a work based learning experience and promoting greater visibility of good labour market outcomes of VET.
- A review of the Recommendation on Key Competences to help more people acquire the core set of skills necessary to work and live in the 21<sup>st</sup> century with a special focus on promoting entrepreneurial and innovation-oriented mind-sets and skills.

## **The challenge for SME policies in traditional sectors**

Traditional industries include inter alia the manufacture of food products and beverages, textiles and textile products, leather and leather products, ceramics or other non-metallic mineral products, mechanical/metallurgy or basic metals and

fabricated metal products, and automotive or motor vehicles, trailers and semi-trailers. This definition of a traditional manufacturing sector is slightly different from the OECD classification of “high”, “medium” and “low-tech” industries, which is based on the R&D intensity of the industries.

Instead a more accurate definition of “traditional” manufacturing industries implies enterprise that are still a major source of wealth creation, employment, exports and innovation covering not only manufacturing, but also farming and services.

In about half of all EU regions the share of traditional industries in manufacturing employment has increased over the last 15 years and in 78 EU regions this increase was more than 4.5 per cent.

The geographic pattern of regions with a declining or increasing share of employment in traditional industries is quite scattered. There are even regions where the traditional sectors appear to be in a state of revival, as they have a low but significantly increasing share of employment in traditional industries – these rather innovative regions being located in Germany, the UK and the innovative Nordic Member States. This indicates that firms also in ‘traditional’ or ‘low- tech’ industries can demonstrate growth and innovativeness.

However, the regional economic importance of innovative SMEs in traditional manufacturing sectors is often neglected.

Most attention goes to SMEs in research intensive sectors and innovation policy support is focused on supporting the most innovative and R&D intensive firms.

Policymakers also favour high-tech sectors because they would generate more high-growth firms than low-tech sectors, but several studies show that high-growth firms are not overrepresented in high-tech sectors.

For instance in the UK high-growth firms are almost equally present in high-tech and low-tech sectors .

Studies of innovating firms have revealed that the multiple sources of knowledge creation, learning and innovation have become broader and more complex, regardless of the R&D intensiveness of their industry.

Innovation surveys show that R&D is indeed not the sole source of innovation for firms and this is especially the case for companies in 'low-tech' sectors.

R&D is not the only source for innovations and the main role for policymakers is not to secure funding for individual innovation projects, but in creating the conditions for firms which promote innovative behaviour and interactions, and which enhance capabilities for innovation.

A policymaker does not know what the best innovation mix would be for an SME. This also means that there is no one-size-fits-all, 'best practise' policy. What may be a good innovation mix (and innovation policy mix) for one group of firms (say high-tech) may be less appropriate for another group of firms (say low-tech).