- SMEs as creators of innovation
- Is European entrepreneurship in crisis?
- Solving today’s challenges through entrepreneurship

SMEs, THE EU’S ENGINE OF GROWTH

B U S I N E S S  S T A R T
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Small and medium-sized enterprises (SMEs) are the bulk of the EU economy and play a fundamental role in its sustainability: according to data by the European Commission, the 21 million SMEs represent 99% of all European companies, creating 33 million jobs. With such numbers, it is almost impossible to underestimate SMEs’ terrific contribution in terms of economic sustainability and job creation. Not only, but SMEs are generally more innovative, flexible and resilient than big companies.

But the contribution of small and medium enterprises, and the reason of their strategic importance, does not stop at the economy. Thanks to the same characteristics that make them strong and resilient, SMEs have a multiple, often unrecognised impact on society. In many areas, where big business tends not to operate, SMEs carry the main responsibility in rebuilding the social machine, by creating jobs and spreading knowledge, while keeping human relationships high. In the same line of thought, small enterprises and entrepreneurship offer to many individuals a lifeline out of discrimination or unemployment, providing an irreplaceable source of integration and regional development. And it is proven that SMEs, due to their limited size, have a stronger perception of Corporate Social Responsibility towards other individuals and towards the environment in which they operate.

Notwithstanding their enormous potential, in recent times a series of important challenges for SMEs have emerged, at times even putting into question their survival itself. The fast pace and increased competition in globalised markets can put strains in some SMEs that, due to their small size and scope, are not able to cope up with the increased demands. Lack of adequate financing, excessive red-tape and administrative burdens, difficulties in finding the right kind of leadership and know-how, together with the inability to internationalise are some of the issues holding European companies back, and they all cast a shadow on the possibility of SMEs to still be engine of growth they have been so far. And in general, Europeans have resulted to be more risk-averse than people in other countries, thus leaving some doubts for the future rate of entrepreneurship.

In at least some of these problems, the European institutions can play a big to foster the strategic competitiveness of our small and medium enterprises. In recent years, they have made a first effort by introducing a series of programs and legislations to support and help SMEs: among them, the Small Business Act, the ‘Think Small First’ approach, COSME and Horizon 2020, with a special focus on research.

But the EU has a responsibility to do more, as the currently ongoing debate on recognising China a market economy status shows: there is still a huge gap between rhetorics and action which needs to be filled, with too many SMEs having no or little access to the European institutions.

The present issue of The New European wants to delve into these aspects, understanding how SMEs can not only be our present, but also become our future. As it already is the tradition of this magazine, thanks to rich and variegated contributions from researchers, policy makers and entrepreneurs the issue will focus not only on the current state of European SMEs and see how public institutions can make their life easier; it will also look at some potential developments in industry, society and business that open new paths of growth: from 3D printing to contributing to solving the migrant crisis, SMEs still look well positioned to provide new ideas to address some of the most serious social, economic and environmental issues of our times.

Notwithstanding the many challenges, The New European believes SMEs still have a huge story to tell in today’s European Union.
New European entrepreneurs are key for our shared prosperity

Dr. Adem Kumcu
President of UNITEE

When future economists and researchers will look back at the years we are living, will they consider the current explosion of digital technologies as a new industrial revolution? One thing appears clear, even to us, standing in the midst of changes: technological advancements of recent years have introduced radically new business models, ranging from the sharing economy to the internet of things. If these developments, unprecedented in scale and impact, have had disruptive effects on existing businesses, they have also opened new opportunities for old and new entrepreneurs to pick up.

It is a truth that, for the EU economy to grow again and be able to govern these changes and go back to the much-desired growth, it has to look at creating a healthy and thriving business environment, focused on manufacturing of goods and services: it is from competitive business that true innovation can come.

In particular, the key asset for the European economy’s competition comes from its huge network of small and Medium-sized enterprises (SMEs). Its overwhelming contribution is represented by their number: 23 million SMEs represent 99% of all businesses in Europe, employing more than 90 million people. But there is still more to SMEs: since the beginning of the crisis, 85% of all new jobs have been created by small and medium-sized enterprises. This contribution is not only overwhelming; it is strategic.

And it is to be saluted that as such it has been recognised by the European Commission, with its pledge to adopt a think small first approach in all its legislation and the creation of a series of tools, such as COSME, to help SMEs grow and internationalise.

It is neither the objective nor the scope of this article to go in depth into the importance of SMEs, since it will be dealt with in the following pages. But in my role as President of UNITEE, the New European Business Confederation, I would like to stress the particular significance of one specific kind of entreprenuer creation: migrant entrepreneurship. Indeed, even if they fit in the broader group of SMEs, thus sharing most of the problems and challenges with them, migrant or to better say New Europeans entrepreneurs have peculiar issues of formation, growth and development and are therefore a demographic group offering multifold opportunities for the well-being of the European economy and society.

First of all, contrary to common beliefs, New Europeans tend to be more entrepreneurial and innovative than their native counterpart. According to a survey realised by Centre for Entrepreneurs, a British think-tank dedicated to the study of entrepreneurship, 17.2% of non-UK citizens have started their own business, compared to only 10.4% of UK nationals. These enterprises employ 1.16 million people, accounting for 14% of all UK companies. In other countries data are not as available as in the UK, but the general pattern that points to higher rates of entrepreneurship is clear. It is clear how this numbers represent a very interesting opportunity, for a European Union in need of jobs and innovation.

The second aspect of interest lies in their ability to open new markets. According to the OECD, developing and emerging markets are expected to account for 60% of world GDP by 2030. They represent therefore significant opportunities for European companies. However, according to data from the European Commission, at the moment only 13% of EU SMEs are internationally active outside the EU through trade, investment or other forms of cooperation with foreign partners. On the other hand, New European entrepreneurs are positioned to fare better as far as internationalisation is concerned: first of all, they speed the flow of information thanks to their knowledge of the local culture and their connections. And second, for the same reasons, they foster trust. And trust matters in business,
especially in emerging markets where the rule of law is weak.

The third point to consider about the contribution of New European entrepreneurs is indirect, but potentially with longer term effects. The terrorist attacks of last November in Paris have plunged Europe in a situation of fear and mistrust, putting integration at the centre of public debate. In this situation, New Europeans have a dual role they can play in helping integration: first, by establishing their business they create positive externalities in their communities, creating jobs and revitalising neighbourhoods that otherwise would remain depressed or isolated. In turn, this local development can help alleviate the social issues that more often than not contribute to radicalisation. Connected to this is the second, more indirect, form New European entrepreneurs can facilitate integration: they can act as role models in their communities and beyond, advertising for entrepreneurship as a possible career move among recent migrants; this can be a way to push unemployed or marginalised individuals beyond initial situations of scarcity.

Notwithstanding the huge potentials for a smart, sustainable and balanced growth, there are some limits and difficulties to its full deployment that need to be addressed. First of all, more often than not, the decision to start a business is not one based on choice, but on constraints: even if some migrant communities look more ready to start businesses, in general what happens is that the rate of unemployment among New Europeans is so high that they are forced to start their own business. The second problem lies in the kind of business New Europeans normally gravitate towards, which are relatively low-value sectors: they might be easy to get into, thus providing a good way to earn a living, but they are very competitive, thus the prospect of growth is small. As a rule, New European-owned enterprises are smaller than native-owned ones. A third big challenge New European entrepreneurs face is access to finance: since they lack relationships with banks or alternative finance providers, they tend to rely on informal, community-based resources. Which again means having enough funds to start a business, but not enough to grow it.

The points outlined above all together point to a situation in which New European entrepreneurs are still left behind. This has to be addressed at all levels: even if their role has been correctly acknowledged, the EU cannot afford not to fully grasp the growth, innovation and integration potential of New Europeans. On this point, at the local level there have already been some particularly successful experiences of migrant entrepreneurship training and financing that deserve mentioning such as the ELIE project, established by a group of European Universities, and the DELInetwork of cities.

But I am more than pleased to see that things are slowly moving even at the highest level: the European Commission has addressed for the first time the issue in its 2020 Entrepreneurship Action Plan, urging Member States to remove legal obstacles hampering the start of business of citizens from third countries and to propose policy initiatives to facilitate entrepreneurship among migrants.

Such policies are a good starting point for eliminating the barriers to business and creating the growth and innovation the EU needs so much. But they will only be a mere façade if they will not go together with a change in the broader perspective towards New Europeans, away from seeing them as threats and towards seeing them as contributors to our shared prosperity.
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The necessary steps in SME policy

Othmar Karas
MEP, EPP

The EU institutions have an important role in creating an environment favourable to SMEs. The Chair of the SMEsIntergroup at the European Parliament shares some suggestions on what has to be done.

SMEs are the main source of jobs, growth and innovation and are a key driver for the better functioning of the single market. Currently, there are 23 million SMEs in Europe, which have access to a market of more than 500 million consumers. SMEs make up 99% of all EU businesses and account for two-thirds of the total private sector employment in the EU.

Although the EU is the largest economy in the world, 90% of worldwide economic growth is expected to be generated outside of Europe in the next 10 to 15 years. This means that there is a huge potential for EU economy and businesses in fast growing third country markets. Even though 25% of European SMEs export to countries within the EU, only 13% are doing business outside the EU. For this reason, internationalisation of SMEs and foreign investment in Europe are crucial to foster economic growth.

When exploring new markets, different national product and service rules, complex procedures that accompany such rules, difficulties getting access to information and access to finance present the main barriers for trade for SMEs.

The EU institutions have a big responsibility to ensure that the regulatory framework is SMEs-friendly. Policymakers have a pivotal role in translating the internal market from a political concept to an economic reality. We should not do more, but do better regulations. This is also envisaged by the Regulatory Fitness and Performance Programme (REFIT) by the European Commission, which I fully support.

Better access to information to help companies understand and comply with different requirements should be prioritised. In this regard, an effective and user-friendly single digital entry point
Besides a predictable and stable legislative framework, the European legislatures are currently revising the taken measures and developing new and fresh ideas.

The review of the Prospectus Directive focuses on a reduction of administrative and financial burdens for SMEs. We have to cut red tape, without endangering the high standards we have set so far.

The European Fund for Strategic Investments (EFSI) was one first steps towards the goal to attract more investment in Europe, because it helps to bridge the investment gap through financial guarantees from the European side.

In this context, the second step in supporting SMEs and increasing their contribution to economic growth will be the Capital Markets Union (CMU). Almost sixty years after the Treaty of Rome we still lack a fully integrated capital market. Europe needs to improve here rapidly, otherwise we are at risk of falling back in the global race for economic growth and stability.

If the capital markets in Europe were as integrated as they are in the US, we would have an additional 90 billion Euros available for investments. We have to make use of these untapped potential. We must strive to gain more investments for the European Capital Markets from pension funds and other institutions, because every Euro from them counts twice. First of all, it can be an investment in European infrastructure and the European economy. Second of all, it is also a provision for one’s old age. We have to better connect the liquidity with the need for investments in Europe.

It is clear that SMEs in Europe rely heavily on bank financing, and even a deeper integrated capital market will not change this in the near future. If we want to make the CMU a success for SMEs, we have to keep in mind to aim for additional financing options without replacing the current ones.

30% of newly started companies in New York have their roots in the EU. Every single one of them is a missed chance for us. We must ensure they have an adequate legislative and financial framework to stay in Europe, where they can help to foster growth and jobs.

It must be our goal to develop a better start-up mentality for these SMEs, while helping well-established companies when they want to expand their business. This can be done if the upcoming legislative steps have a clear aim toward supporting SMEs, creating jobs and facilitating investments.

to the Internal Market, allowing businesses to find the right information is important.

Moreover, stricter surveillance and monitoring systems at EU level and a zero tolerance policy towards member states, which do not apply European rules, is needed. National capitals must recognise their responsibility and the mutual benefit of effective, coordinated implementation. The Commission has to make sure legislation is implemented properly.

Othmar Karas
The innovative SMEs

In the globalised economy, the strategic importance for SMEs to innovate cannot be understated. Unfortunately, often they cannot do it alone and need support. Policymakers at all levels have an important role to play, but coordination is needed.

The business environment is increasingly complex and diverse. Innovation is a critical factor in a business’s competitive advantage and, on a macro level to economic growth, society and sustainability.

At organisational level, innovation is the catalyst for productivity, efficiency, quality and competitiveness. Companies need to find better solutions in order to retain a competitive advantage and innovation is the key to such solutions.

Respond to trends and competition

Innovation can help identify existing opportunities that are likely to emerge in the future. Successful businesses not only respond to their current customer or organisational needs, but often anticipate future trends and develop an idea, product or service that allows them to meet this future demand rapidly and effectively.

Encourage companies to be even better at what they already do

Innovation is not only about designing a new product or service to sell, but can also focus on existing business processes and practices to improve efficiency, find new customers, cut down on waste or increase profits.

Constantly innovating and improving business practices are also likely to help attract better new recruits and retain valued existing staff - something crucial to the long-term health and performance of a business.

Why the innovative capacity of SMEs is crucial for Europe’s competitiveness and growth

Small and medium sized enterprises (SMEs) are a major source of entrepreneurial skills, innovation and employment. Smaller companies often exploit technological niches and commercial opportunities that are ignored by larger companies.

This strategic innovation is a key element in many SMEs’ competitive advantage.

In a context of continuously changing market conditions, SMEs need constantly to adapt or reinvent their businesses. This requires internal financial resources and technical capabilities that SMEs might lack. SMEs have been hit exponentially hard by the financial crisis, particularly in sectors where there is a strong competition component driven by lower-cost foreign companies. The recently published EUROCHAMBRES Economic Survey 2016, based on input from 59,000 businesses across Europe (the vast majority of which are SMEs), confirms that appetite to invest and general confidence levels remain subdued.

The result is a reduction of innovation by European firms, having less capital to innovate.

For this reason, innovation policy at the EU level is especially targeted at SMEs. Instruments to address the innovative capacity of SMEs are important in boosting growth and jobs in Europe.
Innovation policy supports SMEs through direct financial support and also indirect support. The core of the policy is to increase SMEs’ innovation capacity. This reflects the need both to provide support to research, development and innovation, while also ensuring a general environment that is favourable for SMEs and innovation. This covers a wide range of policy areas beyond just financing – skills, internal market, internationalisation, intellectual property, fiscal policy, regulatory compliance and administrative burden reduction, energy/environment to name just some.

**How diversity can drive innovation and entrepreneurship**

Immigration can play an important role in stimulating innovation and entrepreneurship. In terms of quality, skilled migrants can bring a substantial contribution to established businesses. Moreover, diversity in the workplace can stimulate innovation, driving market growth and encouraging out-of-the-box ideas and creativity.

Immigration and entrepreneurship are at the very top of national and international agendas. The economic and social impact of both migrants and entrepreneurship is substantial. The recent massive increase in the number of migrants - many of whom are refugees - has added a significant new dimension to this policy discussion. In fact, migrants can contribute actively to the economy of the destination country.

In many host countries, it has been noticed that foreign-born workers are more likely to create a business than native born workers. This attitude may be explained through the migrants’ tendency - in many cases through necessity - to take greater risks. In addition, low-skilled migrant workers can overcome barriers to entering the labour market as an employee by creating their own work as an entrepreneur.

Nonetheless, in starting and running a business migrants face greater obstacles than native peers. In addition, they encounter more difficulties in accessing credit from financial institutions. This reduces the full potential of migrant entrepreneurs to improve the employment and boost competitiveness in the host country.

At the European Union level, a lot of work has to be done. The European Commission recognised the contribution of migrants to the economy in the European Agenda for the Integration of Third Country Nationals. EUROCHAMBRES is also in active discussions both internally with its members and externally with EU policy makers to define and deliver a coherent strategy for the economic integration of migrants, from the country of origin to the country of destination, via transit countries both inside and on the borders of the EU. This will not be easy, but it is crucial in ensuring that the massive influx of migrants contributes positively to Europe’s socio-economic development and thus helps to ensure that their integration is smooth.
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**Accessto finance**

Encouragingly, the innovation activity of the private sector, especially SMEs, seems to have increased during the crisis and is continuing as the economy shows signs of recovery. However, companies face serious difficulties in finding financial support for their innovation projects.

The situation of SMEs is more difficult as they particularly young, innovative SMEs rely strongly on external financing, due to their typically low equity ratio. Less favorable conditions for credit financing of innovation projects have nonetheless posed problems for businesses’ innovative dynamics and continue to threaten their competitiveness and medium-term perspectives. Financing of innovation has to take the different development phases of companies into account (start-up, growth, etc.). The availability of venture capital in Europe has to be supported first through the elimination of barriers for funds operating across borders (e.g. double taxation, mutual recognition).

This is even more the case in the later growth phases of companies, when most start-up support runs out and there are no further support instruments. Increased financial support for venture capital, business angels or mezzanine programmes at EU level should not, however, be at the expense of other existing instruments, e.g. guarantees. This more easily accessible instrument is particularly important for SMEs with smaller innovation projects.

**Stimulating innovation at national, regional and local level**

The implementation of the EU’s Innovation Union strategy must avoid a duplication of existing measures. Too many different and fragmented funding possibilities currently exist at regional, national and European level. This reflects a broader problem of the asymmetry in timing between SMEs’ swift innovative development and the laborious decision-making process of key stakeholders, notably in relation to financing.

Regional, national and European programmes are currently insufficiently coordinated; EU innovation strategy and initiatives can - with the cooperation and engagement of regional and national authorities - and must address this problem.

Horizon 2020 is the largest and most prominent measure in this field. It is a result of a political desire of the previous Commission to evolve from the purely research and development focus of previous such programmes in order to embrace and facilitate also innovation. With nearly 80 billion euro at its disposal, it is certainly not insignificant. However, some of this has already been siphoned off for the Juncker Plan’s European Fund for Strategic Investments (EFSI) and this may be repeated after the mid-term review of the EU 2104-19 budget that will evolve over the next year or so. Such pressure must be resisted, in EUROCHAMBRES’ view.

Within Horizon 2020, one small element stands out as potentially the most significant in driving innovation: the SME Instrument. Unlike the rest of Horizon 2020, it is directly available to businesses who can apply individually to acquire innovation grants during testing and development of innovative products, services or processes. Business coaching and facilitation of access to finance are also provided.

With a fund of only 3 billion euro over the period 2014-2020, the SME Instruments is already a victim of its own success and demand is far outstripping supply. EUROCHAMBRES continues to advocate a significantly larger redistribution of Horizon 2020 funds away from established R&D channels to the SME instrument, which offers a direct route to innovators. Such initiatives should be pursued wholeheartedly, rather than tentatively, if they are to gather momentum and traction and have the desired effect.

The SME Instrument in part builds on the concept of innovation vouchers, which have been introduced in several member states. Such schemes at local, regional or national level have already proved to be valuable in enabling SMEs to access research during the development of new concepts. They typically involve low administrative burdens and concretize the notion of spin-in innovation by allowing businesses to define their innovation requirements.

Nonetheless, the concept of innovation vouchers can be substantially improved. Member states and regions are invited to broaden the scope of innovation vouchers beyond pure research, with the objective to support all forms of innovation more effectively and cost-effectively and to reduce the gap between innovation leaders and those still lagging behind.

EUROCHAMBRES believes that this could be done by allowing businesses, especially smaller ones, to select, based on their specific concept, a suitable innovation support provider from a white list or even to propose one themselves.

Innovation vouchers remain largely restricted to collaboration between businesses and research institutes in the region or member States, funding a particular scheme. This greatly reduces possible matches and the scope to develop the innovation across borders. Regional and national innovation voucher schemes should allow for inter-regional and cross-border collaboration.
Another central issue for SMEs is intellectual property. The implementation of the Unitary Patent will make it possible for innovative companies to apply for a single patent automatically covering the territory of the European Union for both the application and the legal enforcement. This system should reduce the costs of patent registration and litigation, thus allowing innovative companies to commercialize and protect their inventions across Europe more affordably and efficiently.

EUROCHAMBRES has been a strong supporter of the Unitary Patent initiative for many years. However, the costs of registering, renewing and protecting a patent in the new court must be affordable. The renewal fee in particular should cover administration costs borne by the EPO and not support the budget of national patent offices. Such a payback option to national administrations is de facto a tax on innovation, being unrelated to any service provided to the patentee. The jury is still out on the European Patent Office’s decision on fees in June 2015 and concerns remain that the new European Patent Court’s fees will be too high for most innovative SMEs.

SMEs also require particular support if they are to capitalize on the Unitary Patent. A lower renewal fee would have been a welcome sign, but this idea was rejected by the European Patent Office, so we would now like to see measures that will mitigate other costs, such as legal cover, which may prove prohibitively expensive for smaller companies.

Chambers of Commerce & Industry across Europe not only advocate for innovation-friendly policies, but also for the delivery of an extensive range of innovation services to entrepreneurs and businesses. Chambers promote and support the innovative capacity of SMEs, assisting companies to develop their technological needs and to bring their innovations to market. They also constitute nearly 30% of the Enterprise Europe Network’s host organisations across Europe.

At the EU level, EUROCHAMBRES respects this hands-on approach through its involvement in a range of cross-border and international services, such as InvestHorizon (investhorizon.eu) and the European Business & Technology Centre in India (ebtc.eu).

Policy makers at regional, national and EU level must demonstrate a similar ability to walk the walk as well as talk the talk by delivering effective, joined-up SME-targeted measures to implement their laudable innovation strategies. They must themselves act in an innovative manner if their policies are to deliver innovation across the economy.
EVEN SINCE THE industrial revolution, humans have been ambivalent about technological progress. While new technology has been a major source of liberation, progress, and prosperity, it has also fueled plenty of agony—not least owing to the fear that it will render labor redundant. So far, experience has seemed to discredit this fear. Indeed, by boosting productivity and underpinning the emergence of new industries, technological progress has historically fueled economic growth and net job creation. New innovations accelerated rather than disrupted this positive cycle.

But some are claiming that the cycle is now broken, especially in technologically savvy countries like the United States. Indeed, machines are becoming smarter, with innovations like advanced robotics, 3D printing, and big data analytics enabling companies to save money by eliminating even highly skilled workers. As a result of this productivity paradox (sometimes called the “great decoupling”), jobless growth is here to stay. We can no longer take human prosperity for granted, however rosy the aggregate indicators for profitability and GDP growth may be.

But are we really in the throes of a Frankenstein’s dilemma, in which our own creations come back to haunt us? Or can we beat the productivity paradox by harnessing the power of machines to support development in ways that benefit more than the bottom line?

There is good reason to be optimistic. Many countries—even technologically savvy ones—can still benefit from the self-reinforcing cycle of technological advancement, rising productivity, and employment growth. Luxembourg, Norway, and the Netherlands—three innovative and capital-intensive economies that regularly appear in the upper quartile of productivity per hour and employment, according to OECD data from 2001-2013—are prime examples.

Cynics will suspect that Luxembourg and Norway have managed to sustain this dynamic only because of their peculiar economic structures (a concentration in finance in the former, and in natural resources in the latter). So let’s consider the Netherlands, which stands out as the only country that recently has appeared in the upper quartile not only in productivity and employment, but also in labor-market participation.

The Netherlands has been a champion of innovation, gaining a fifth-place ranking in the recent
INSEADGlobal Innovation Index. A striking 85% of large Dutch firms report innovative activities, while more than 50% of all firms are innovation active. Dutch firms are also world patent leaders; Eindhoven, the hometown of the electronics company Philips, is the world’s most patent-intensive city.

So what is the Dutch secret for ensuring that technological progress benefits all?

The Netherlands seems to be undergoing a sort of industrial revolution in reverse, with jobs moving from factories to homes. The Dutch labor market has the highest concentration of part-time and freelance workers in Europe, with nearly 50% of all Dutch workers, and 62% of young workers, engaged in part-time employment—a luxury afforded to them by the country’s relatively high hourly wages.

Many young Dutch work part-time as schoolteachers. But a more lucrative and common source of part-time employment in the Netherlands is the subcontracting of white collar services. Highly skilled or specialized workers sell their services to a wide range of businesses, supplementing the work of machines with human value-added activity.

Another key to the Netherlands’s success is entrepreneurship. In 1990-2010, self-employment rates fell across the OECD countries, with business ownership in the US, for example, having declined rapidly since 2002. In the Netherlands, however, business ownership has grown steadily since 1992, reaching 12% of the labor force in 2012. Almost 70% of Dutch business owners were exclusively self-employed in 2008.

To be sure, rates of business ownership and self-employment are also high in low-income countries like Mexico. But the Netherlands is much wealthier, and boasts high levels of per-hour productivity, employment, and participation—largely owing to its flexible and adaptive labor market.

In short, the Netherlands has restructured its economic value chain to accommodate a new division of labor between humans and machines, embracing new kinds of economic activity—especially part-time work and solo entrepreneurship—to balance human needs with technological advances. In doing so, it has highlighted the importance of enterprising skills, including creativity, entrepreneurship, leadership, self-management, and communications in enabling humans to keep pace with technology.

Machines may be reaching new heights of intelligence, but they are no match for human resourcefulness, imagination, and interaction. This is a lesson that countries would do well to learn from the Dutch.

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JOSETTEDIJHUIZEN is a woman full of energy, with a strong-held belief: that entrepreneurship can be a tool for social and personal development. This belief has accompanied her through her extraordinary and variegate career, ranging from entrepreneurship consultant, teacher and social entrepreneur. In 2013 she was UN Women’s Representative and in the same year she started her social enterprise ‘ENPower’ to assist vulnerable (wo)men from shelter homes, refugee and human trafficking. Now Joosette is expanding her activities in Lebanon, where she plans of helping refugee women to start and develop their own business.

Through the programme ‘Selling Strength’ you have visited Lebanon in order to promote entrepreneurship among refugee women. Can you describe the programme and your experience?

Last summer was my first time visiting a refugee camp in Lebanon, and the aim of that visit was to document women entrepreneurs and their stories. I went with a photographer to interview them and take pictures; I wanted to know what the situation was like in the camp before I could start the programme. Normally in Western Europe, and I add myself to this, we have a mentality that we need to teach other people how to do things. I wanted to get the other way round, by seeing from them what they need and then finding possible solutions to help. There are already organisations in place helping women establish their business, so my next step will be to go back to Lebanon, continue ‘Selling Strength’ and partner up with these already existing organisations, to give them the knowledge from my network they need, which is mainly marketing knowledge. I see that also in other countries I visit, like Pakistan, and Peru, and I have a marketing background. So, I can help them with that and with professionalising themselves by getting a more entrepreneurial mindset.

This is not the only programme of yours that has to do with woman entrepreneurship: another programme you started is ‘ENPower’.

As I was the Women’s Representative of the Kingdom of the Netherlands at the United Nations, two years ago, the theme of the UN was prevention and elimination of violence against women and girls. I was shocked about the figures: even in Holland it is a very serious problem. I thought that if I was able to join my experience in entrepreneurship with the UN theme, I might be able to do something valuable. So, I launched ‘ENPower’ in Holland which is a programme of workshops and individual mentoring for abused women. This was my first idea to help people in a vulnerable position to realise their dreams and build their life. Currently, there are a lot of Syrian and Eritrean refugees coming to Holland. Therefore, in two weeks I am starting to run the same entrepreneurship programme for this group of people in the south of Holland, Noord Brabant, my province of residence. We have received funding from the province to start with eight refugees and see if it works. Holland is very organised country and we have a lot of regulations, so it is not at all that easy to just run a programme.

What are the limitations and prejudices that make it difficult for women to become entrepreneurs, here in the EU? Why do we need to focus especially on female entrepreneurship?

We have a long series of problems to tackle in this world: ecological, social, emotional. And women entrepreneurs have different kinds of businesses.
In Europe, for example, most social enterprises are run by women. They can have really large impact on this planet. That is one of the reasons why we should promote women entrepreneurship. Furthermore, it gives women more freedom, since they get more confident and financially independent. There is a lot of inequality in this world: for instance, in Pakistan only 1% of entrepreneurs are women, which means that a lot of people do not even get the opportunity, due to issues of access to capital and markets and lack of education. There are a lot of barriers of women, even if there is huge social and economic potential. Gender equality is a core problem worldwide, and I cannot change that. What I can change is the obstacle of giving them the right entrepreneurial education and make them visible. These are all external aspects. If we look at the internal ones, I think we can be our own barrier as well: sometimes we as women underestimate ourselves, we lack conviction on our means and capabilities. As a consequence, we are not making ourselves visible towards the market. That is something we can change: we must be more visible, we must go more into media, jump on stage and develop ourselves.

You mentioned the idea of tutoring perspective entrepreneurs as an important part of your projects. Is it possible to teach entrepreneurship?

I wrote a book on the topic, *The entrepreneurial gene*, because I was interested in the topic. We know from literature that there are a few qualities that are very important to be successful entrepreneurs: vision, courage and perseverance. If we look at the possibility to develop them, the answers are surprising: from 40 to 50% of our personality is genetic. There is a high percentage of qualities that can still be developed. This does not mean that if you are not good at risk-taking, or you do not like it, you will become the best risk-taker after taking a mentoring programme. But it means that, through a lifecycle, you can even change your genetics and definitely you can improve your skills. I am an advocate for developing entrepreneurial qualities, I believe in it, as I believe in becoming happier with the things you do. I even worked on my PhD on the connection between stress and success in entrepreneurs: for instance, you can reduce your level of stress and thus become more successful. There are really things you can do to develop yourself as an entrepreneur.
From your experience, what are the main difficulties that keep people from becoming an entrepreneur?

First, let us take the example of women. What we see is that women tend to be less risk-taking and more perfectionist, so they have to check everything all the time. This is a barrier, because there is always something that you can view as an obstacle.

Second, people have more things in their heads about all the things they have to do while starting and make them bigger than they really are. That is why I suggest them to write them down, because if you have them on paper you don’t need to remind them all the time.

Then you see that people have the feeling they are taking huge risks, and that the risk is a lot bigger financially and emotionally in their heads than it actually is. It would be good, for starting entrepreneurs, to have people around to whom they can ask things and who can give them the little push they need.

Finally, normally people have an idea arising from themselves, but they have no idea of what the market actually needs. They might say, “I want to sell embroidery work,” and then another one comes in and tells me the same thing, they are both different entrepreneurs. It is a matter of knowing about your added value to the market and how you can take an advantage of being young. Because it really is an advantage being young: maybe your hourly rate is lower; maybe you are very innovative. Everybody has a backpack, look for the best things you have inside.

In all your activities, you seem to possess the belief of a social and redeeming value of entrepreneurship. What are these values?

There are a few values created by entrepreneurs: economic, social, personal and ecological. You can differentiate these four between two groups, immaterial and material values. For instance, social value is an example of immaterial value: entrepreneurs work and act in a community, and thus create knowledge and build networks. On the other side, entrepreneurship also gives its community money, by creating employment, which is very material. Furthermore, also some personal value is created, because individuals are able to gain income and knowledge. And more often, also some ecological value is emerging: there are entrepreneurs doing good not only for society, but for the well-being of this planet.

What would your suggestions be to a young girl who wants to become an entrepreneur?

I would react enthusiastically. If a young girl tells me she wants to start an enterprise, I would support her in her dream, because all good things start with a dream. I would first ask her why she wants to become an entrepreneur, because motivation is important. If you are externally motivated, you have to know that it is not easy to start an enterprise: it asks a lot from you, from your free time, money and knowledge. If, on the other hand, you are intrinsically motivated, you want to be independent, that is a lot better.

Then, we are going to look at the idea, because a lot of young girls normally are insecure: they believe they have nothing to offer to the market, they have no experience. But then, you ask them what their talents are, what they can do. And every person has qualities in their backpack. The thing is to look in that backpack and see what it already has inside: dreams, competences and ambitions. From there, you take the business idea and see how it can be made viable. Because in the end, everybody needs to make money. So what is needed is a viable business idea that people want to pay for.

It is about dreams, ambitions and competences and seeing how you can combine them with your business idea. It is about what makes you a good business owner. So, if a young girl comes to me and tells me, “I want to sell embroidery work,” and then another one comes in and tells me the same thing, they are both different entrepreneurs. It is a matter of knowing about your added value to the market and how you can take an advantage of being young. Because it really is an advantage being young: maybe your hourly rate is lower; maybe you are very innovative. Everybody has a backpack, look for the best things you have inside.
Entrepreneurship is accorded high priority by European policy makers. The European Commission has adopted an Entrepreneurship 2020 Action Plan as its answer to challenges brought by the gravest economic crisis in the last 50 years. European governments spend huge amounts of money trying to support new firm start-ups and promote innovation. Much of this enthusiasm for entrepreneurship in policymaking circles is due to three reasons: (i) last-resort measures, (ii) an inadequate understanding of the relationship between economic development and entrepreneurship, and (iii) ideological and real capture by interest groups, including entrepreneurs and big business.

There is no doubt that entrepreneurship can and did contribute to economic development in Europe. But this will not happen automatically. Entrepreneurship may even be contributing to many of Europe’s economic woes. Since this is not generally recognised, current high expectations of entrepreneurs will likely disappoint. It is time for Europe to look afresh at how to galvanise entrepreneurship for development, starting from the realisation that a more sober view is required.

Entrepreneurship is often seen as an engine for growth and development. But behind rhetoric, reality is shaping up to be a lot less rosy. The Dean of Maastricht School of Management explains why entrepreneurship will not be the solution to Europe’s problems.

Entrepreneurship is often a Last Resort Policy

“Victor Hugo once remarked “You can resist an invading army; you cannot resist an idea whose time has come”. Today entrepreneurship is such an idea”
- The Economist, 2009

When faced with crisis, policymakers often call on entrepreneurs to rescue the day. The above quote is from The Economist magazine, published in 2009 in the midst of the global financial crisis. The previous time when The Economist published such an enthusiastic endorsement of entrepreneurship was during the 1970s recession. On both occasions entrepreneurship was lauded largely because policymakers and academics had run out of other policy options (read money) to restore growth. And in both cases the articles and sections in The Economist were actually wrong: the subsequent deregulation and free-marketeering widely adopted in the 1980s and staunchly promoted by the likes of Thatcher and Reagan heralded in a period of unbridled growth in the incomes and wealth of the top 0.1 percent of the population in the USA and Europe.

Since the 2000s entrepreneurship has stagnated
and even declined in the USA and many European countries. For instance, in Europe the relative earnings of the self-employed to the wage-employed has been declining significantly. And as The Economist accurately pointed out in 2012, ‘The vast majority of Europe’s big companies were born around the end of the last century. Since the 1980s nearly no international businesses have been developed in Europe.’ In contrast to the notion that the knowledge economy has heralded an entrepreneurial economy in Europe as some like to believe, a recent Harvard Business School report found that Europe is in a digital recession, with only three European economies making it onto the top of Harvard’s digital evolution index. Moreover, in terms of venture capital funding in excess of US$100 million for high-tech start-ups, Europe ranked a distant third behind North America and Asia. It is far from evident that entrepreneurship is an idea whose time has come in Europe.

Scholars studying entrepreneurship in poor countries see many similarities with Europe. In the poorest countries, especially those in Africa, small businesses and self-employment remain largely a means for survival. It does not drive economic growth, development and political transformation. Despite this, billions of dollars particularly of aid money continue to be spent on promoting small business start-ups, and the more dysfunctional governance and policy-making make headlines, the louder the UN, development agencies and governments proclaim the importance of entrepreneurship.

**Entrepreneurship is not a Magic Bullet for Development**

‘This is one of those cases in which the imagination is based on the facts’ - Adam Smith

Adam Smith, the father of modern economics, was not very fond of businessmen. He would indeed have been baffled by the many scholars and policymakers that so enthusiastically cling to the belief that entrepreneurship is the panacea for development, as the empirical evidence is far from conclusive. Indeed, it seems more reasonable to conclude that economic growth drives entrepreneurship rather than vice versa. Some economists even report a negative relationship between entrepreneurial activity and economic growth. For example, Simon C. Parker (2006) reports that there is no unambiguous empirical relationship between the rate of self-employment and unemployment. Mirjam Van Praag and Peter
Versloot (2007) find from a broad survey that (i) entrepreneurs do not spend more on R&D; that (ii) entrepreneurs create lower quality and less secure jobs, and that (iii) the relative contribution of entrepreneurs to the value of productivity levels is low.

Oosterbeek et al (2010) used a difference-in-differences approach to evaluate the impact of Europe’s Junior Achievement Young Enterprise student minicompany programme. They found that the programme had no positive impact: it did not enhance students’ self-assessed entrepreneurial skills, and the effect on the intention to become an entrepreneur is even significantly negative. Most recently Daunfeldt et al (2015) found that even focusing on so-called high-growth entrepreneurship (as the European Commissions calls for) is problematic since most high-growth firms in a Swedish sample were not very profitable, casting doubt on whether they could sustain growth.

In European countries there is no significant statistical relationship between economic growth and entrepreneurship measures, whether self-employment, business ownership, innovation rates or start-ups and early stage entrepreneurship. Figure 1 plots the relationship between early stage entrepreneurship (as measured by the Global Entrepreneurship Monitor) and economic development measures such as GDP per capita growth and the unemployment rate in The Netherlands and Germany.

The Figure shows that there is no evidence that entrepreneurship helped to reduce unemployment in these two large European economies over the past decade. Growth rates have tended to slow down when start-up rates increased. For other European countries for which similar data is available, it is similarly difficult to conclude that entrepreneurship is driving economic growth and employment creation in Europe.

As a result of these disappointing empirical findings, entrepreneurship aficionados have disingenuously claimed that these results are found because entrepreneurship is not accurately measured. When
traditional indicators such as self-employment and business ownership rates were found not strongly related to economic development they were quickly dismissed as not reflecting entrepreneurship. In fact most vocal academic proponents of the thesis that entrepreneurship is the key to development consider an indicator as reflecting entrepreneurship only when it appears to be positively related to economic development.

The most sophisticated exercise in this tradition to date is perhaps the misnamed Global Entrepreneurship Development Index (GEDI). The GEDI is disingenuous in that it succeeds to show that the richest countries are also the most entrepreneurial. In its most recent GEDI, the most entrepreneurial country in the world is the United States with a historical high value. Despite findings that the share of US employment from new enterprises has declined by 30 percent over the past 30 years and the start-up rates have declined across all sectors.

The US may indeed for the moment have the highest per capita income in the world but if one considers further measures of development it is seriously lacking. Most noticeably, as Case and Deaton (2015) report, the US has seen an increase in the mortality of middle-aged white non-Hispanic men and women since 1999, the first advanced country ever to experience such a situation. According to Joseph Stiglitz the US could soon be the World’s First Former Middle Class Society. The Census Bureau reports that 15% of Americans live in poverty, and the numbers of households in poverty in the US is currently higher than in 1959. Not exactly encouraging for other countries to want emulate the world’s most entrepreneurial society.

Entrepreneurs Often Capture the Policy-Making Process

‘Throughout history there has been a tussle between those who make their way by honest but unimaginative toil and the gamblers, pirates, hucksters’
- Leo Silberman, 1956

Iceland was once hailed a miracle economy and an example of an entrepreneurial economy par excellence, compared favorably with the bastion of entrepreneurship, the US. Iceland is a European country with an American labour market reported the Huffington Post in 2008. But by 2008 Iceland’s entrepreneurs had created a financial sector that was ten times the size of its GDP. As the subprime mortgage crisis started to unfold, the country’s bloated financial sector collapsed in October 2008. It was rapidly followed by the collapse of the country’s government, in January 2009.

What happened was that entrepreneurs had captured the financial system and the policy-making process. Only three entrepreneurial families, who made their fortunes in the shipping, brewing and frozen food industries, took complete control of the country’s banks, the Glitnir, Landsbanki and Kaupthing. Emboldened by an ideology of free markets, financial deregulation and financial engineering, they seemed to have convinced policy makers that there was no conflicts of interest between them owning Iceland’s bank and running many large businesses in other sectors of the Icelandic economy. As the Special Investigative Committee reported, the operations of Icelandic banks were, in many ways, characterized by their maximising the benefit of the bigger shareholders, who held the reins in the banks, rather than by running reliable banks with the interests of all shareholders in mind and showing due responsibility towards creditors. It appears that worries about conflict of interest between the operation of the banks and the operation of other companies owned by the same parties had vanished. The pirates and hucksters have won.

Much has now been written on the policy capture that caused the financial crisis in Europe and the US. With Greece’s economic meltdown jeopardising the entire Eurozone, it is worthwhile to recall that Der Spiegel, on 8th February 2010, reported how Goldman Sachs helped Greece to Mask its True Debt. And how the lingering euro-crisis could at least be traced back to the ideological support and free hand of unscrupulous entrepreneurship.

Despite the lack of political and regulatory oversight in Europe twisted the incentives of businesses in the financial crisis, little has been done to resist run-away entrepreneurialism. This was for instance very visible in 2015 in the scandals of Volkswagen, one of Europe’s largest automobile manufacturers, and of the Swiss-based FIFA. In both cases the free hand that these organisations had lead to them acting opportunistically against the public interest. And in both cases it was due to USA-instigated investigations, and not European, that the culprits were found out.

In 2015 Europe had to deal intensively with a migration crisis, the result of millions of refugees fleeing conflict and economic destitution in the Middle East and North Africa. Although there has been debate about the EU and European governments handling the migration crisis a full discussion falls outside the scope of this article. For present purposes though, with an EU governance system gathering increasing scepticism as a result of the scale and scope of the at least 30,000 lobbyists in Brussels, the EU’s responses to this crisis cannot be free of entrepreneurial policy capture. Ruben Andersson has described the new business of illegality containing elements in common with the financial crisis:
European states are taking yet another leap with Eurosur and the investments this system entails: surveillance machinery, coordination centres, patrol vehicles and manpower. For the border guards, defence contractors, international organizations and aid agencies involved, clandestine migration has become big business. In this growing industry, careers are made, networks created, knowledge and imagery circulated, and money channeled in increasing amounts. Here Frontex, pushing the securitization analogy, works much like the offshore ‘special purpose vehicles’ used in derivatives banking before the crisis – spreading risks off-balance-sheet, diffusing accountability away from sovereign states and their elected governments.

The above are some examples of the truth that William Baumol recognised 25 years ago, namely that at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy. How the entrepreneur acts at a given time and place depends heavily on the rules of the game and the reward structure of the economy that happen to prevail.

In contemporary Europe the reward structure of society increasingly making it difficult for small businesses to grow and innovate, and leading to a privileged economic and business elite engaging in unproductive and even destructive actions, including patronage, corruption and rent seeking. Policies too often end up prolonging the life of inefficient firms. Even well intentioned policies may be fundamentally flawed, because an EU over-eager to raise the number of entrepreneurs will push too many people who lack entrepreneurial ability into the market with negative spillover effects on entrepreneurs that do have good abilities to start and run a business. In such a situation entrepreneurship should be taxed, rather than subsidised.

**The (Slow) Reversal of Fortune**

Although prosperous, Europe is in decline. It is in relative decline as the income and wealth gaps between Europe and many emerging and developing countries are shrinking. It is in absolute decline as many European countries seem to reverse...
many gains made after the Second World War, for instance in access to health and education, in rising unemployment rates, and loss of global political influence. Historian Niall Ferguson describes what he calls a strange institutional degeneration in Europe.

In 1494 European powers were so powerful that Portugal and Spain divided the non-European world between the two of them at the Treaty of Tordesillas. By 1900 the sun never set on the British Empire. But by 2010 Portugal and Spain had become submerging economies with unemployment rates around between 11 and 25%, and with the UK becoming an island in the Atlantic somewhere between mainland Europe and the Americas.

The rise and fall of the city of Glasgow is in many ways a metaphor for Europe and its entrepeneurs' fortunes. As Dominic Frisby chronicled, Glasgow rose during the 18th and 19th centuries through entrepreneurs sizing on its favorable location as a harbor and seafaring hub and the inventions of the industrial revolution, to become by 1900 the second city of the British Empire. It was considered the best-governed city in Europe. It adapted innovatively to many changes: when it lost its position in the tobacco trade after American Independence it moved on to cotton; when steam ships made its position on the trade winds irrelevant, it became a major producer of ships, producing one fifth of the world's ships between the 1890 and 1914. But after 1914 a long and slow decline set in. Today is has a 30% unemployment rate, the UK's highest homicide rate and the lowest life expectancy in the UK. It is no longer a manufacturing hub. Its entrepreneurship which helped it to buffer many changes and shocks in the past, was powerless to prevent its decline.

Perhaps the single most serious challenge facing Europe is demography. As many scientists have shown Europe's population is in decline and aging. This will continue notwithstanding current immigration, even in the face of a (unlikely) baby boom. Europe's working age population stopped growing in 2014. The implications for productivity, social security and growth are ominous. This is not a crisis such as the Euro or migration ones, happening rather sudden: it is a creeping crisis, gathering far less debate and concern even though its impact will be more severe.

One of the first reactions to an aging workforce will be to get people to retire later and making more occupational changes later in life. Europe's active ageing policies are aiming to support such labour market adjustment. Hence, the continent's continued relative decline over the next half-century will result in older entrepreneurs. The growth in self-employment amongst 50 to 65 years old is already significant in many European countries.

The age-structure of business firms in Europe will also age along with its population, with the effect of older business firms being less innovative and less dynamic than younger firms.

Conclusions

Crisis-hit Europe will require substantial institutional reform to face its many current challenges. In addition to its euro and refugee crises, perhaps the more serious one is an entrepreneurship crisis. As described in this article, the millions of small businesses dotting European cities are not driving growth, since they are faring increasingly less well in terms of earnings compared to wage earners, and will increasingly become run by older entrepreneurs in aged businesses. And policies to stimulate immigrant entrepreneurship and small businesses have not been successful.

As far as big businesses are concerned, they are predominantly a legacy of the past. Many are engaging in lobbying and receiving benefit from Brussels gravy train. When they innovate, it is to reduce dependency on labour in the face of shrinking working force and sluggish productivity growth. Some leave Europe or outsource their jobs, so as to take better advantage of emerging markets. Other firms are being swallowed up by more efficient competitors from outside: in 2015 the value of acquisitions of EU-based firms from outside reached the highest levels since 1970.

Demographic changes and institutional shortcomings are thus subtly shaping the profile of entrepreneurship in Europe to look a lot like entrepreneurial crisis in poor countries, where survivalist entrepreneurship outnumbers transformative entrepreneurship and where political influence matters more for business growth than technical abilities. This changes the relationship between entrepreneurship and development. Without taking into account these factors, the European Commission's answer to challenges brought by the gravest economic crisis in the last 50 years likely to remain only half an answer.
Challenges and Opportunities of Immigrant Entrepreneurship

The parallel phenomena of increased migration and maturing ethnic communities, together with the emphasis on economic growth, innovation, job creation and social integration in the EU, creates both challenges and opportunities.

Craig Mitchell & Evita Stanga

The New European Commission, established after the 2014 elections, has carried out a reorganisation creating a new Directorate General GROW aiming to provide business-friendly policies and promote innovation generating new services of growth. It hopes to encourage growth of SMEs and promote an entrepreneurial culture. Jean-Claude JunckerCommission’s top priority is to get Europe growing again.

The EU is currently facing immigration-related challenges. It can, however, turn these challenges into opportunities for growth instead. Growth & the missing ingredient of immigrant entrepreneurship research is the area explored by Craig Mitchell, originally from Scotland, working at the Sten K. Johnson Centre for Entrepreneurship at Lund University in Sweden. His research of growth in immigrant firms is offered from an entrepreneurial standpoint, but at the same time it is sensitive to the context of immigrant entrepreneurship.

Why Immigrant Entrepreneurial Growth Research in Sweden?

Even if Mr Mitchell is conducting his research in Sweden, it comes as no surprise that until now the research field has been led by researchers in the United States, the United Kingdom and the Netherlands in countries with a well-founded history of immigration. Researchin Sweden mirrors its immigration history in that it is less well-founded when compared to other above-mentioned countries, which are now actually experiencing third generation ethnic minority-owned enterprises. Mr Mitchell highlights that the research field in Sweden is more piecemeal, but over the last five years or so, encouraging work by a number of Swedish based researchers has been initiated. His own research is also distinctive, as it will bring an understanding particularly of growth-orientated ethnic minority and immigrant entrepreneurs. Mitchell’s research has an ambition to be the first exploratory study on firm growth in ethnic minority and immigrant-owned firms in Sweden and beyond. He states that our knowledge of the determinants, characteristics and conditions of growth in immigrant and ethnic minority owned firms is really conspicuous in its absence.

Beyond Stereotypes and Misconceptions

The prevailing view of immigrant entrepreneurs (from both a research perspective and our general perceptions) is that they are active in small-scale and survival-oriented types of businesses. These operations may often be found in the least rewarding and vulnerable economic sectors and spatial locations. A stereotypical view is that of entrepreneurs who own and run small-scale retail outlets, restaurants, dry cleaners and small taxi firms. We can be forgiven for our misconceptions, since these entrepreneurs are particularly visible to us, as we all meet and interact with them in our daily lives. What is less visible is the number of economic suc-
cessstories and the immigrant entrepreneurs who grow their firms.

Indeed, academic research in the field so far mirrors our general perceptions of immigrant entrepreneurs. Despite a comprehensive amount of it, the existing literature on ethnic minority and immigrant entrepreneurship seldom accounts for growth in immigrant-owned businesses.

Encouraging – Reality of Success

Mr Mitchell describes that while the above-mentioned small-scale firms experience entrepreneurship at its most harsh, since it entails a business life centred around staving off threats, cut-throat pricing and a constant fight to survive. He is certain that these firms are, of course, valuable for various reasons and explains that their success need not always be measured in strict economic terms. Such firms not only create jobs for the founder(s) but also employ individuals from the local community, these entrepreneurs and their firms rejuvenate stagnating sectors and spatial areas, act as entrepreneurial training facilities for young employees and are a hub of information for the local ethnic community. In addition, they act as bicultural mediators by selling culturally infused goods to the mainstream population. Finally, some research suggests that the legitimacy of owning a business is a means to social integration for immigrant entrepreneurs.

Furthermore, in terms of growth-oriented businesses, it is possible to find immigrant and ethnic minority entrepreneurs represented as growth-oriented and economically successful actors in the whole spectrum of industries. However, academia has a hard time explaining this contemporary phenomenon. When we lay our cards on the table, the immigrant and ethnic minority entrepreneurship research community actually knows very little about the growth of these exceptional businesses and the contextual determinants which foster them. The theoretical foundations in immigrant entrepreneurship research are insufficient to understand business growth, and business growth research is not sensitive to the nuances of ethnicity and immigration. Thus, Craig Mitchell’s work shows how these research fields can be integrated together.

Recently there has been a flurry of interest in the impressive rates of growth, the increasing sectorial diversification and the changing fabric of immigrant entrepreneurship. Such cases are often exposed in the mainstream media, which are keen to adopt a romantic rags-to-riches narrative. These
entrepreneurs are also beginning to catch the eye of research.

Research in this area has the potential of discovering, highlighting and underscoring how immigrant and ethnic minority-owned SMEs and entrepreneurialism in general can help in EU effort to ensure economic growth, innovation, job creation and social integration in the EU.

Current Migration Situation – Challenge or Opportunity

Mr Mitchell makes one very timely reflection regarding the possibilities of immigrant entrepreneurship related to the enormous amount of displaced individuals who have recently sought refuge in Sweden. Currently Sweden is experiencing a real shortage of accommodation for refugees in the big cities, which have so far been overwhelmed with the vast number of refugees. Thus for better or worse these individuals are finding themselves in rural areas all over Sweden. It will be interesting to see what the social and economic consequences of this will be. Will refugees create the rejuvenation of stagnating sectors and spatial rural areas via entrepreneurship? Is a question Mr Mitchell plans on approaching, as he intends to start a research project which looks into the potential for these refugee groups to breathe life into stagnating sectors in the relevant areas.

Commodification of Ethnicity

The field of immigrant and ethnic minority entrepreneurship is often characterised by the debate between the influence of culture and the influences of structure. This push or pull debate in essence considers whether immigrant and ethnic minority entrepreneurship is driven by a cultural propensity to do business or by structural stimuli such as blocked mobility in the mainstream labour market. Mr Mitchell agrees with the structural argument and is aware of the danger of attributing too much emphasis on ethnicity and culture, and how it affects entrepreneurial propensity. He, however, states that it is harmful to totally negate culture and ethnicity of immigrant and ethnic minority entrepreneurs. To do so would be equally misleading. Instead, the influence of ethnicity must still be seen as an active force, though operating in more nuanced ways.

Reflecting upon this very question led Mr Mitchell and his friend and colleague, Associate Professor Tobias Schönlin, to approach the topic of what is a nuanced view of ethnicity in immigrant firms. They studied three ethnic retailers in the city of Malmö, Sweden. Here the term ethnic referred not only to the background of the entrepreneur but also extended into the goods they were selling. What they found was that these immigrant-owned firms were heavily infused with cultural and ethnic elements influencing what they produced, what they sold, how they sold it, how they marketed and the composition of the staff. Products and the retail setting were loaded with ethnic connotations and perceptions. In this sense, ethnic minority and immigrant entrepreneurs are acting as brokers of ethnicity as a commodity: they themselves, foreign products, the ethnic retail setting (music, smells and symbols) are all parts of the manipulation and the transformation of ethnicity as a strategic entrepreneurial action into a resource for competitive advantage.

This ethnicity under some circumstances is commodified into a source of competitive advantage and strategy for growth, in the sense that it has been utilised by these entrepreneurs in a strategic and purposeful manner by converting both the contents and the symbols of ethnicity into profit-making commodities. In their research project, Mitchell and Schönlin called this the process of ethnicity entrepreneurip

Next Generations

Research consistently shows that second generation ethnic minority entrepreneurs are to a larger extent found in mainstream rather than ethnic markets, they are more focused on business services and less on traditional migrant business sectors, as well as their prevalence in growth oriented firms. Some explanations for this include the higher achievements in education and skills of the second generation, enabling many of these entrepreneurs to gain access to more promising markets. These individuals also have higher proficiency in the host language and more frequent contact with the mainstream population than their parents’ generation. Last but not least, they enjoy a better understanding of how things work in the post-context. Mr Mitchell also adds the motivation and driving forces of the second-generation entrepreneurs are different to that of their parents’ generation. Entrepreneurship appears to have a different connotation for second generation immigrants, in that it is guided by pull motivations rather than push motivation of unemployment experienced by their parents’ generation. Entrepreneurship for the second generation becomes an active choice and their businesses get incorporated into more attractive areas of the economy. Baked into this process comes increased upward economic and social mobility and success. In terms of firm growth, the motivations and aspirations of an entrepreneur are a crucial determinant for firm growth. One fruitful research area is that of exploring the prevalence of second and third generation ethnic minority entrepreneurs in the IT and ICT sectors.
Mr Mitchell also reflects upon the potential of newly arrived immigrants in Sweden and this also extends to many incoming refugees. Many of them are highly educated but unfortunately common discourse suggests that the first generation of highly educated immigrants is a huge untapped resource for society and economy. Their competences are underutilised. While these individuals are rich in human capital, they lack the extremely important entrepreneurial resource of social capital. Mr Mitchell points to an exciting upcoming accelerator programme in Skåne in the south of Sweden which he is proud to have the opportunity to follow. Through the accelerator programme the hope is to move these individuals to a sense of embeddedness in the Swedish society and economy.

And not least champion the real contribution these individuals will make.

Mr Mitchell is quick to point out that the contents of this blog are the tip of the iceberg in terms of interesting and useful findings he has to offer on the subject, and only a snap shot of what he plans to do in the future. He expresses his sincere motivation to proceed and succeed. Maybe I am a naive young researcher, but it is my hope that my research and my colleagues’ research make a real world impact. Constantly ringing in my ears is the term publish or perish though for me research and academia extend beyond that, I hope to become an engaged scholar, by disseminating my findings and paying back to the entrepreneurs and the communities who grant me access to their firms and their lives. I also acknowledge the importance of continued and thoughtful dialogue with our policy and decision makers.

Mr Mitchell has discussed how it was necessary to combine and integrate research perspectives from firm growth and ethnic minority entrepreneurship to be able to understand the phenomena of firm growth in firms owned by immigrant and ethnic minorities. He makes a similar reflection for policy aimed at immigrant and ethnic minority entrepreneurs. Integration and migration policies and policies related to SMEs in general should not be mutually exclusive to each other, and it is often appropriate to integrate perspectives of both. What this means in practice is taking stock of the support needs of SMEs owned by immigrants and ethnic minorities in particular, are these needs always the same as mainstream SMEs or are they different?

This question needs to be thoroughly understood. The untapped potential of immigrant and ethnic minority entrepreneurs has to be stressed again, this time, in terms of their unique position between host and origin or home countries. These firms are born with a unique global outlook from the start. A challenge for policy is to tap into this potential of transnational and international entrepreneurship driven by immigrant and ethnic minority entrepreneurs. In summing up, Mr Mitchell positively points to Directorate General GROW and believes that encouraging and supporting growth in SMEs should be at the top of agenda.
Internationale Fachmesse und Forum für ethnische Lebensmittel und Gastronomie

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How to solve the migration crisis

Paula Schwarz, StartupAid

The refugee crisis is among the most serious issues for the EU, with its social, political, economic and humanitarian challenges. Could these problems be solved with a startup approach?

In Lesvos, Greece, an island with a population of 90,000 people, to-date up to 400,000 refugees have arrived. The determination of refugees is awe-inspiring and the support of countless volunteers and the locals inspirational.

With the refugee crisis citizens are blaming governments, governments blame other governments, and a vicious cycle continues. While millions of people are displaced from the crisis, the economic climate of the European Union is under constant stress and an influx of people in search of peace and security seems to make things worse, there has to be a willingness to look at things differently and act quickly to find solutions.

One of the defining traits of entrepreneurship is the ability to spot an opportunity and imagine something where others have not. So, what if the solution to Europe’s refugee crisis lied in entrepreneurship? That is why entrepreneurs from around the world have started working on the issue, looking at how to adapt and integrate new ideas into older systems that may not be working correctly.

Paula Schwarz is just one of those entrepreneurs. Paula’s initial vision was to specifically develop ways in which to make it easier for refugees landing on the Greek islands of Lesvos and Samos to access information, settle in their new home country, or set about travelling to another. One of the first projects she launched, as a quick response to seeing the amount of people arriving daily was startupboat. In August 2015, Paula and a team of entrepreneurs, venture capitalists, executives from Facebook, Lufthansa Innovation Hub, McKinsey and refugees, came together and assessed the parameters in Samos. The startupboat crew kickstarted and grew solutions that span out into self-sustainable social ventures.

What they found was that local port authorities, volunteers and activists all wanted to help, but lacked finance, apart from private contributions. They also found that the refugees arriving were well educated and mostly middle class, which also impacted how they would access and interact with available solutions. Both refugees and those trying to help had one major thing in common: no one really knew what to do. From these findings, the first startup was created: First Contact. First Contact is
an online resource that provides refugees with immediate access to crucial information. So far, this crowdsourced information platform has seen up to 17,000 users per week use the service.

On the Lesvos trip, Paula met future co-founder Joanna Theodorou. Following the trip, and deeply affected by the seriousness of the situation on the island, they believed that migration should not be thought of as a problem to be shut out, but as an opportunity to create positive change from crisis to action. Their combined background in the startup environment, social innovation and NGOs gave them the right tools to come up with a new approach. Their goal was to find a more impactful way to go beyond idea generation and into the creation of multiple solutions that are technological, lean, adaptable and scalable. Together they set up StartupAid to catalyse a more impactful response to the crisis.

StartupAid is an organization that will bridge the lean and pro-tech culture of the entrepreneurial environment with the humanitarian field in order to increase its impact. An accelerator that brings humanitarian aid from offline to online with the startup community, StartupAid tackles the toughest humanitarian crises with lean, efficient and impactful tools and solutions that focus on coordination, information dissemination, logistics and infrastructure.

In the words of Paula Schwarz, "Startups look at a problem as an opportunity. They see a gap and fill it. They do that with imagination. They do it with creativity. A system is applied, usually with technology, to develop a scalable solution for the challenge. Entrepreneurs look at problems in a completely different way. Fewer resources are needed because it is about creativity and the imagination of one person or a small group of people." StartupAid also raises awareness for the significant social impact entrepreneurs around the world can have through the development of scalable, tech-based tools for NGOs and volunteer groups. StartupAid maps challenges and needs of stakeholders on the frontline, and then mobilises a community of entrepreneurs, tech experts and advisors in growing innovative solutions. Together with inspired people from around the world, Paula and Joanna found they could create lean digital solutions that significantly improve the way challenges resulting from mass migration are dealt with throughout Europe. So far the
team has established a community of 200+ engaged volunteers, humanitarian entrepreneurs and advisors all eager to find solutions to help.

StartupAid is building an ecosystem of support. 60+ NGOs have been mapped, the team has facilitated a research trip to the Idomeni border and are actively working with key NGOs. Since the first startupboat in August, the StartupAid team has shared its solution concepts in two more hackathons to engage talented individuals. The team is also now mapping out the needs in volunteer housing, logistics, transport etc. to kickstart new projects and mobilise the community around them.

Here are some of the projects currently in implementation or development.

MarhaCar - the first community logistics service carrying aid from warehouses to camps through the power of volunteer drivers and coordinators. To date the organization has provided 200+ deliveries on Lesvos. The team has become a logistics partner of 15+ frontline teams in Lesvos, including major NGOs Medecins Sans Frontieres, Caritas Greece and the Swiss Red Cross. The team that joined the operations is now in the process of spinning it out into an independent NGO.

MigrationHub - a community think tank that brings communities together to focus on migration solutions. The team has set up space in Athens, Berlin & Lesvos and will soon be expanding to 10 locations throughout Europe.

StartupBoat - mobile hackathons to bring awareness and mobilise the startup community around the migration issue. Two trips made in August 2015 (Samos, 20 participants) and October (Lesvos, 40 participants) participants came face to face with the severity of the crisis and brainstormed new ideas and tools that could improve the situation. First Contact, Migration Hub and Kiron Ventures an incubator were launched from them Samos trip and Refugees on Flights, T.app and an incubator in Lesvos from the Lesvos trip. Other ideas from the startupboat hackathons that will merit further research include: playgrounds, a donation/volunteering platform displaying the needs of the island, a large awareness conference in Lesvos and the creation of a cemetery.

T.App - A communication app from Arabic to English that allows officials and volunteers to communicate with refugees. MVP has been developed and is now being customised for various processes such as registration with authorities, accommodation, arrival information etc.

X Fund - A peer-to-peer micro-donation tool for emergency regions. (Launching Spring 2016)

Donatio - A Mass storage management platform for in-kind humanitarian donations.

RefugeeHost - A network of hotels/B&Bs for refugee & volunteer accommodation to refugees & volunteers.

Recently, StartupAid has participated at the World Economic Forum 2016 in Davos. There it lead a visit to a local refugee camp to raise awareness about the range of challenges faced on the ground by stakeholders and the type of solutions that can be developed.

In January February 2016 Paula, Joanna and their team will be joining forces with Hack Cambridge hackathon and the Design Museum of London to bring the first hackathons to shore. They have been invited to speak at universities and events around Europe, not only to discuss and shed light on the current crisis, but also to prove that local citizens and communities can harness their skills to provide immediate entrepreneurial solutions to a crisis.

Initiatives like StartupAid demonstrate that real social change through entrepreneurship is possible. What social and tech entrepreneurs have demonstrated during the refugee crisis is that together communities of people can foster a culture of open collaboration and co-creation, where systems are either connected, improved upon or reinvented. Entrepreneurs are inventing new innovative and more efficient ways to find solutions to society’s social problems. Through partnerships with entrepreneurs, citizens and institutions we can share and shape a new economy.

Let us help people and communities awaken to their potential so that they can affect massive positive global impact. Collaboration is the key to positive global change; StartupAid truly believes that we have the power to completely transform our world, to making the world a kinder, more inclusive, equitable and peaceful place.

For more information about StartupAid, visit startupaid.io
COSME: 360° support to Europe’s enterprises

The growth of SMEs in the EU market is favoured by COSME: the EU Programme that, through funding and law regulations, encourages small businesses.

When French SME FORAGE, specialising in eHealth systems found a distributor for Germany, Austria and Switzerland at Europe’s leading event for healthcare IT, it was not by chance. The Enterprise Europe Network’s B2B matchmaking at Connecting Healthcare IT (conhIT) in Berlin had been carefully planned to make sure businesses would get the most out of their trip. “Thanksto the Enterprise Europe Network, I was given the perfect opportunity to find a reliable partner,” says Gérard Vanca of FORAGE.

Bringing together around 600 business support organisations from more than 60 countries, the Enterprise Europe Network has become a reference point for growth-oriented SMEs with international ambitions. It has shown itself to be a reliable source of information, advisory and partnership services for European companies looking to innovate and expand. The Enterprise Europe Network is just one of the many actions funded by the EU programme for the Competitiveness of Enterprises and SMEs (COSME), which is under the portfolio of the European Commission’s Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW).

COSME implements the Small Business Act (SBA) which reflects the European Commission’s political will to recognise the central role of SMEs in the EU economy. The programme aims to support the competitiveness, growth and sustainability of businesses across Europe.

But how to go about achieving such a broad goal? COSME covers four main axes. First, it eases SME access to finance by providing loan guarantees and risk capital. Second, it helps companies access new markets inside and outside the EU. Third, it aims at creating a business-friendly environment and reducing the administrative burden on SMEs. And, finally, it encourages an entrepreneurial culture.

With a budget of €2.3 billion over seven years (2014-2020), these four main objectives come to life in different ways, including financing SMEs, business advisory and support programs like the Enterprise Europe Network, but also industry conferences and studies.

Facilitating access to finance

According to the 2015 Survey on the Access to Finance of Enterprises (SAFE), one out of four SMEs in the EU28 needs financing between €25,000 and €100,000 to realise their growth ambitions.

Access to finance is crucial not only for new businesses and start-ups, but also for existing companies who wish to innovate and grow. This is even truer for SMEs which, unlike large scale enterprises, do not usually have direct access to capital markets. Representing 99% of all businesses in the EU, SMEs are responsible for around 85% of new jobs and provide two-thirds of the total private sector employment in the EU.

This is why ensuring affordable and appropriate access to finance is a top priority under COSME. Two facilities have been set up to improve access to finance for SMEs: the Loan Guarantee Facility and the Equity Facility for Growth. They are both managed by Marco Malacarne, EASME
the European Investment Fund (EIF) in cooperation with financial intermediaries across Europe. The financial intermediaries operate at grass-roots level and deal directly with the SMEs.

The Loan Guarantee Facility provides guarantees to financial institutions (e.g. banks and leasing companies) so they can supply more loans to SMEs. The loans, of a value of up to €150,000, will help SMEs who might otherwise not be able to get funding because of a perceived higher risk. It is expected that COSME will enable up to 330,000 SMEs to obtain financing for a total of up to €2.1 billion. The impact will be substantial as €1 invested in a loan guarantee creates up to €30 of financing to SMEs.

The Equity Facility for Growth provides risk capital to equity funds investing in expansion and growth-stage SMEs in particular to those operating across borders. The Facility should help some 500 companies to receive equity investment with an overall volume of up to €4 billion.

COSME funds are now available in 15 countries: Austria, Belgium, Bulgaria, the Czech Republic, Estonia, France, Germany, Italy, Montenegro, the Netherlands, Poland, Romania, Slovenia, Spain, and the United Kingdom.

Supporting access to new markets

According to a 2015 Flash Eurobarometer survey on the internationalisation of SMEs, 39% of SMEs in EU have imported from another country in the past three years. Of these, 36% imported from another EU country and 19% from a non-EU country. Looking at exports, 33% of SMEs in EU have been involved in exports to another country. Of these, 30% targeted the single market and 20% addressed markets outside the EU.

The survey asked exporting EU SMEs to identify the main barriers they face. At the top of the list came complicated administrative procedures, excessively high delivery costs, difficulties in identifying business partners abroad and the high financial investment required.

All companies were asked what measures they thought would be most likely to help them engage in business abroad. Unsurprisingly, they are looking for help exactly where the identified barriers lie. To break the back of the beast, businesses are looking for subsidies, low interest loans and tax incentives. However, they also value support for finding business partners and networking. Other measures include opportunities to take part in international trade fairs, information on market opportunities, information on rules and regulations and advice or training. COSME aims precisely at providing businesses with this kind of support.

Let us start with the Enterprise Europe Network, a key instrument for SME internationalisation. Its business partnering services include international company missions, matchmaking events and a database of partnership offers and requests from businesses worldwide. In its first seven years of activity under COSME’s predecessor (the Competitiveness and Innovation Programme 2008-2014), the Network provided support to more than 2.6 million SMEs. Network member organisations include chambers of commerce and industry, technology centres, research institutes and development agencies. Most of them have been supporting local businesses for a long time. They know their clients’ strengths and needs and they know the EU single market.

It is assumed that in the next 5 years, 90% of the world’s economic growth will be generated outside the European Union. To meet the growing need for SMEs to expand to international markets and find international partners, the Network has set up contact points, the so-called Business Cooperation Centres, in major international growth markets, such as Brazil, Russia, China and India. They focus on business,
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technology and research partnering activities, e.g. the organisation of B2B events and company missions.

COSME also funds web portals designed to help enterprises develop internationally. The Your Europe Business Portal provides practical information for entrepreneurs who want to do business in another EU country. The SME Internationalisation Portal helps companies find the best support services to expand outside Europe.

Intellectual Property can also be a challenge when stepping into new markets. Especially for SMEs, COSME tackles this by funding the ASEAN, China and MERCOSUR Intellectual Property Rights (IPR) SME Helpdesks. These services offer advice and support to European SMEs on IPR issues, standards or public procurement rules in their respective geographical areas.

COSME also provides financial assistance to the EU-Japan Centre for Industrial Cooperation. Its aim is to promote industrial, trade and investment cooperation between Japan and the EU. It provides information on how to access the Japanese market and facilitates exchanges of experience and know-how between EU and Japanese businesses.

Creating better conditions for competitiveness

For the past 10 years, the European Commission has been working to cut red tape for citizens and businesses. Research shows that SMEs are disproportionately affected by regulation, so COSME has an important role to play in this effort.

A number of COSME actions aim to lighten the administrative burden on businesses. These include measuring the impact of EU law on SMEs: developing smart and business-friendly regulation; reinforcing the 'Think Small First' principle for policy making at national and regional level.

But creating better conditions for the competitiveness of European businesses goes far beyond this.

A number of actions target competitive industries with market potential, by helping SMEs to take-up new business models and integrate into new value chains. Examples of this approach are support actions in areas with high growth potential such as tourism.

Support is given, for example, to help build transnational tourism routes and increase cross-border cooperation. Another initiative financed under COSME is the European Destinations of Excellence award (EDEN) which promotes sustainable tourism models across the EU. The initiative is based on national competitions that take place every other year and result in the selection of a tourist destination of excellence for each participating country. The result is the promotion of sustainable business models and a common approach to the industry across borders.

COSME actions to create a more favourable environment for businesses also include the development of world-class clusters in the EU. A number of initiatives foster cluster excellence and internationalisation with a strong emphasis on cross-sectoral cooperation, namely in support of emerging industries.

Another challenge for the future competitiveness of our businesses is digital. A strong digital economy is vital for innovation, growth, jobs and competitiveness. The spread of digital is having a massive impact on the labour market and the type of skills needed in the economy and in the society. To help ensure that Europe can meet its needs for highly-skilled digital entrepreneurs, managers and professionals, COSME supports actions aiming at accelerating the digitalisation of the business community and promoting e-skills and e-leadership.

Encouraging entrepreneurship

The Entrepreneurship 2020 Action Plan of the European Commission underlines how, compared to the USA and China, for example, the share of people preferring self-employment to being an employee is lower in the EU. When new enterprises are founded, they grow more slowly in the EU than in the USA or emerging countries, and fewer of them join the ranks of the world’s largest firms.

Clearly, the level of entrepreneurship and its nature vary widely between different EU countries. However, generally would-be entrepreneurs in Europe find themselves in a tough environment: education does not offer the right foundation for an entrepreneurial career, difficult access to credits and markets, difficulty in transferring businesses, the fear of punitive sanctions in case of failure, and burdensome administrative procedures.

COSME backs the implementation of the Action Plan through a wide range of activities.

Erasmus for Young Entrepreneurs is for instance a cross-border exchange scheme which aims to help new and aspiring entrepreneurs acquire skills to run and grow a business by working with an experienced entrepreneur in another country for one to six months. It increases their know-how and encourages cross-border transfer of knowledge between entrepreneurs.

Other actions focus on entrepreneurship education, mentoring or the development of guidance and support services for new and potential entrepreneurs,
including young, women and senior entrepreneurs. The Entrepreneurial School project, for example, offers practical resources for teachers in primary, secondary and vocational schools. The first Entrepreneurial School Awards were also organised in 2015.

The Executive Agency for Small and Medium-sized Enterprises

The Executive Agency for Small and Medium-sized Enterprises (EASME) manages most COSME actions on behalf of the European Commission. In 2015, the Agency managed a total of 120 actions (75 from the 2015 budget and the continuation of about 45 actions that started in 2014).

The Agency also manages other EU programmes of interest to SMEs, in particular part of Horizon 2020, the EU Framework Programme for Research and Innovation. Horizon 2020 covers for example innovation in SMEs (including the European IPR Helpdesk) and the SME Instrument.

Together, the EU programmes COSME and Horizon 2020 are the main tools to help small businesses access the funding and advice they need to grow.
The ‘internet of things’ is quickly disrupting established business models and introducing new ones. Of all technologies, 3D printing is the that will impact more deeply manufacturing processes. Opening up new challenges, and new opportunities, for business and legislators alike.

The replicator was a futuristic gadget proposed in the Star Trek series. The machine could rearrange subatomic particles to form any object, from food to spare parts. The show took place around the 2260s, but 3D printing has already made the replicator a reality. The technique enables the creation of three-dimensional objects starting from a digital model. Successive ultra-thin layers of material (which can be as diverse as metal or ceramic) are deposited one on top of the other until the three-dimensional object is created.

This process of additive manufacturing contrasts with the traditional manufacturing processes, which are fundamentally subtracting material. Given the nature of additive manufacturing, there are barely any economies of scale, making it particularly well positioned for customisation of products to fit the specific characteristics or preferences of an individual.

As the range of materials suitable for printing expands and the technology keeps advancing, 3D printing is positioning itself as a viable alternative to conventional manufacturing processes in an increasing number of applications - as reported recently by McKinsey. Several products are already being manufactured and customised through 3D printing, while the prototyping of food, drugs and even human organs is moving at a staggering pace.

The magic of 3D printing

3D printing brings the customers closer to the companies, taking manufacturing into a whole new era of customisation. Beyond expressing a preference between a set of predetermined options, the customisation of the vast majority of the products manufactured today has normally been out of scene. In fact, a tweak in most of the products manufactured with standard manufacturing would imply a big readjustment in the manufacturing facilities. However, additive manufacturing allows companies to accommodate a specific size or configuration request by simply modifying the digital file of the product.

The possibilities in this area are numberless. They go from online customisation of basic products such as lamps or shoes to printing human organs using the patient’s stem cells, through personalisation of drugs based on the individual’s genetic data or the creation of smooth food for people with impaired mastication.

The rapid uptake of 3D printing in the shoe market makes a clear case for the potential to create new value through customisation. Several shoe companies, including Nike and Feetz, are now using 3D printing technology to give customers shoes that are cus-
tom-made for them. The process starts by creating an accurate 3D model of the person’s feet through the use of 3D-scanning technique.

Today, this can be done economically through mobile apps. This information is then combined with details about the customer’s height, weight, and activities they engage in. After inputting all the data, the customers receive a personalised pair of shoes. The same transformation is set to happen for other products, such as jewellery, dresses, car dashboards, parts for jet engines or drugs.

Beyond allowing for mass customisation, the flexibility of additive manufacturing makes it possible to create objects of great intricacy in their internal structure. In this way, limitless opportunities are opening up for new designs adding strength to the object, while reducing the amount of material needed to produce a functional product (savings can be as high as 90% of material). General Electric, for instance, is printing jet engine brackets that weigh 84 percent less than their predecessors, allowing for yearly savings in fuel costs estimated to be up to $1.6 million per airplane.

Another example presenting the revolutionising potential of this technology to create complex structures is bio-printing. It consists in the deposition of cells into a 3D gel to create functional three-dimensional tissue and organ constructs. When it comes to transplants, waiting lists are often deadly long. Not only is there an insufficient number of organ donations, but the transplant recipient’s immune system is most likely to reject the organ. By printing the organ most of the problems associated with donations can be bypassed. The time it takes for the entire process of printing an organ is relatively short. Moreover, the use of the patient’s own stem cells as a basis for the print eliminates the risk of rejection.

This overview shows how diverse the applications of 3D printing for direct product manufacturing can be. McKinsey estimates that 3D printing can cover up to 50% of products in relevant categories by 2025, with up to 80% value increase per product when consumers decide to use themselves a 3D printer. Beyond final product manufacturing, this technology is also facilitating production processes and promoting product innovation through rapid prototyping.

Setting the priorities right

Both technical and regulatory barriers are slowing down the diffusion of 3D printing today. Technical limitations comprise mainly slow build speed, limited object size, limited details or resolution, and high costs for materials and printers. However, rapid progress is being made in all these areas.
The Department of Energy & Oak Ridge National Laboratory and machine tool manufacturer CINCINNATI TI Incorporated recently announced a partnership for creating a 3D printer with 200 to 500 times the speed, and 10 times the size, of most current printers. Carbon3D has also recently pulled in $100 million in new funding to bring to the market a 3D printer which allows to print functional parts at 100 times the speed of existing printers. This will, in turn, drive new players also in the market for printing materials, providing a downward push to the prices.

The major challenges for widespread adoption of this technology are rather stemming from the strong legal uncertainty surrounding these technologies. For 3D printing to achieve its full potential and to prevent the creation of a fragmented market, a series of interventions should move up in the policy makers’ agenda.

Intellectual property rights (IPR) issues are those most likely to arise in the short term. The border between what entails a violation of IPR and what instead falls under the fair use definition is not clear today. It appears unquestionable that if an object owned by the user breaks, its owner can make use of 3D scanning and 3D printing to repair it.

On the other hand, if the file used to 3D print the spare part is downloaded from the web, it can be considered as owned by the company that makes the part and it therefore might entail an IPR violation. It would also be hard to define who is liable in case of a copyright infringement. It could be the person who downloads the file, the platform which shares it or the company which performs the print.

Shedding light on these issues is paramount for the commercialisation of 3D-printed objects and will become more of an issue as the activity moves from the hobbyist community to mass production. In the lack of policy guidance, several manufacturers are dealing with the issue by refusing to print objects which clearly entail IPR violations.

In addition, striking the right balance will be complicated by the fact that digital files downloaded from the web are often tweaked to such an extent that they become new objects. Given the international nature of platforms for sharing files, a global response to these issues will be required, and the current IPR regime is certainly not optimally suited for such an approach.

Another challenge requiring policy attention relates to the imposition of tariffs and other duties. Leveraging on the argument that downloadable files can be made into a physical object, the WTO tends to treat these files as goods (and therefore governed by GATT) rather than software (which would be governed by GATS). This argument is hardly applicable to 3D printing files. In fact, contrary to the case of a digital song, the file cannot be directly consumed. Only if the file is printed and the print is functional, there is a case for imposing a control in terms of tariffs and tax collection.

Conformity standards and testing (including legal liability) of 3D-printed objects also urge a regulatory discussion. First of all, additive manufacturing makes it necessary to rethink the general rules on the certification process of 3D-printed products. As each product is slightly different from the other, it is hard to implement the same rules applied to the current standardised manufacturing system.

On the other hand, the standard certification process for devices classified as medium or high-risk...
does not fit with the nature of 3D-printed devices. In fact, in the case of printed devices, the quality of the finished products relies heavily on pre-manufacturing steps of the patient-specific medical imaging and the design of the device. Therefore, regulating input materials and machinery will not be enough to ensure the safety of the final product and might actually create counterproductive burdens.

In addition to certification issues, there is the problem of legal liability. Today, most of the products are subject to strict production standards and testing, with manufacturers held liable in case of accidents. However, if a product is downloaded from the web and then 3D-printed at home, it is not clear who would be liable in case of accidents. It could be the designer, the website which shared the file, the supplier of printing material, the manufacturer of the 3D printer or the person performing the printing.

All these issues are being overlooked today by European policy makers. A proactive regulatory discussion will allow to rethink the nature of digital products and the concepts of IPR, taxation, product certification and legal liability in the digital age, while ensuring a global action in support of innovation. In case of inaction, our current regulatory framework would work de facto as a barrier to innovation.

**Disrupt or be disrupted**

From a wider perspective, 3D printing fits within a wave of technological innovations which are set to shake and reshape our reality. While 3D printing alone will not disrupt our entire economy, we are likely to see a radical transformation of entire sectors in response to widespread adoption of this technology.

For what concerns the manufacturing sector, a hybrid solution between additive and traditional manufacturing is the most probable outcome. In some cases, different techniques will co-exist, with 3D printing supporting certain phases of the production process, such as prototyping, production of moulds and tooling, direct manufacturing of spare parts.

In other cases, the adoption of 3D printing might disrupt the entire value chain of a company. This is the case for all those products whose customisation is made commercially viable by the use of 3D printing. As the manufacturing process becomes leaner and the companies start looking for a new and more specialised workforce, they might find more convenient to re-shore their production, facilitating a closer engagement with their customers.

Finally, plummeting costs for setting up the production system for additive manufacturing will enable more and smaller companies to cost-effectively manufacture products, supporting the rise of urban start-ups.

**Why we should look beyond GDP**

Even if the direct cost of producing with 3D printing might be higher, the restructuring of the production process and the adoption of new business models allow for the total cost of production to be lower. By switching to additive manufacturing, the companies can achieve savings by limiting the waste of material, reshoring production and reducing transportation, inventory and facility costs. At the same time, more value for consumers is created with customised products, while limitless opportunities are opening up for manufacturing of products with intricate internal structures.

Policy makers should engage in a proactive regulatory dialogue and implement a framework under which 3D printing can achieve the status of a legitimate form of production. Striking the right balance between ensuring the safety of this technology and avoiding stifling innovation will not be an easy task.

However, a cross-border collaboration to ensure a global regulatory framework would be a welcome first step and would prevent the rise of a fragmented market. Clear regulation would enhance confidence in this technology and create the conditions for it to spread safely.

Digital fabrication has the potential to transform the functioning of certain sectors, spur innovation and produce great value for consumers. The manufacturing sector is likely to experience a re-configuration of the (global) value chain model into a new lean model in which a digital file is directly manufactured into a functional object.

This change will require a smaller but more qualified workforce, therefore creating the conditions for reshoring and the rise of urban start-ups. Being close to customers allows companies to respond better to their preferences. In turn, the nature of global trade flows will also be impacted, as fewer intermediate and finished goods will be traded.

These developments alone will not change how our economy works. However, together with the rise of the sharing economy, the open-source movement and other innovations, 3D printing feeds into a wider economic and societal transformation which is challenging our model of market exchange. Our conventional metric for measuring economic performance and wealth today - the Gross Domestic Product (GDP) indicator - fails to reflect the value resulting from these new applications.

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GROWING ENTREPRENEURS

Secondary schools are often lacking in preparing students for the workplaces of the future. Externships can be a way to address this issue, connecting companies and students and fostering innovation.

The industries of the future will require people creative and innovative enough to work with technology, not be replaced by it. And workers will need resilience and grit, because failure, more often than not, is part of the innovation process.

Unfortunately, secondary schools today are not providing a platform for imparting the skills necessary for their graduates to compete in the workplaces of the future. With some notable exceptions, mainstream schools in most countries remain insulated from the demands of industry, which all too often means they are cut off from rapid evolution in the economy at large. In order for students to be better prepared, schools and companies will have to learn to cooperate more closely than ever before in the formation of the workforce.

Several American companies are already working to close the gap. General Electric and IBM have both opened schools where students can benefit from a focus on math, engineering, and science. Udacity, the online education start-up founded by Stanford professor Sebastian Thrun, delivers certified courses in partnership with companies, giving students an edge over applicants who have undertaken only classroom study. According to The Economist, more than 70 companies, including Microsoft, Verizon, and Lockheed Martin, all struggling to find innovative and tech-savvy skilled employees, are working on similar models with schools.

Schools thinking of collaborating with industry naturally think of internships. But for secondary-school students in particular, this approach can be problematic. Opportunities for placing young interns are rare, because they lack the skills and knowledge companies want. And companies are reluctant to have teenagers in their offices for many other reasons. (For example, in Singapore, no one under 18 years old may sign a non-disclosure agreement.)

Those secondary-school students who do manage to get an internship often find the experience unrewarding; instead of learning anything of value, they are often relegated to making photocopies and performing other menial tasks. Meanwhile, university admissions committees know that internships are not productive experiences, and therefore do not give interns precedence over other applicants.

Externships offer students a better way to acquire skills, because students are given an opportunity to help a company solve a real-world problem from the classroom. Examples include tackling innovation challenges related to delivering services in different markets, developing technology apps to optimize operations and cut costs, and producing prototypes for new products.

In many ways, externships are a close cousin of the apprenticeship programs that are common in secondary schools in Europe. What makes them diffe-

Ayesha Khanna, The Keys Academy
rent are the students' requirements: less technical knowledge and greater emphasis on foundational skills like entrepreneurship, leadership, communication, and the basics of technology.

One solution is to create programs that allow secondary-school students to tackle innovation challenges for companies without leaving their classrooms. Rather than working on-site at the company, students learn the skills to solve the tasks with their teachers and present their ideas to companies at formal meetings. Companies can oversee students for as little as six hours per externship.

Externships can last from one to four months, and they follow a three-stage learning path. At the first stage, students try to solve the challenges faced by small or medium-size companies (SMEs). Then they grapple with difficulties troubling Fortune 500 companies. Finally, they work on identifying problems themselves, forming teams, and competing in international venues.

Learning to communicate the process by which students arrive at their solutions is central to any externship. Students must be able to make proposals to company leaders and learn to accept failure and criticism productively.

Externships lie precisely at the intersection of play and rigor, which is where innovation thrives. For SMEs, externships provide much-needed creative manpower. For larger companies, they are avenues for corporate citizenship and innovation.

When properly integrated into a student’s education, externships can provide the competitive edge on college application essays and at campus or alumni interviews, which admissions committees increasingly use to distinguish twenty-first century leaders from the competing hordes of top-scoring test-takers. Externships offer transparency and accountability for educators and imbue a spirit of fearlessness in students.

Our education system can no longer afford to wall itself off from the world of industry. Its goal should be to cultivate the kind of students that the organizational theorist John Seely Brown calls “entrepreneurial learners.” By helping companies solve their real-world problems, students can prepare themselves to meet the challenges of the future.
«No disability, nor your background can be an obstacle for success»

Inês Briard

Successful entrepreneur and athlete: the story of Ali Lacin, a Berlin-based New European business-owner, is the proof that disability does not have to be a limitation.

Being an entrepreneur is almost the only solution for many of disabled persons not to be excluded from the labour market. Enterability—Selbständig ohne behinderung—is an organisation, based in Berlin, promoting inclusive entrepreneurship and independence among Germans with a disability.

Enterability offers many services such as individual counselling, seminars on financing conditions and building networks. Its main objective is to facilitate and secure the access to the labour market for people with a disability.

Ali Lacin is a Berliner that took part in this program and managed to open Sweetstore with his brother, Osman, in 2013. They are selling all special and conventional confectioneries but they specialized in selling vegetarian sweets and sweets that do not contain gelatine from pigs. Ali and Osman grew up in a candy world, indeed, Ali’s father was a candy seller. The two boys were allowed to follow him during his tourney and sometimes to taste new sweets.

As Ali said, his dad had the best or the swee-
test job in the world. Thus, after being graduated from an entrepreneurial professional qualification, they established their own company.

Launching this business was Ali’s dream because he believes that «no one can develop himself as an employee, the way he does in his own business.»

Ali also mentions that «we are a very effective team consisting of my father, the expert of sweets, and my brother, the media/marketing specialist. Best of all, both of them know me and my disability, and can deal with it.»

During the launch, their biggest challenge «was first to position ourselves with the name Sweetstore in the Berliner market and then as a new company to attract clients.»

Ali sees himself as a New European, a person living in Europe but having connections with more than the country where he lives. He was born and raised in Germany but was educated in a Turkish culture. Ali also emphasizes how this dual cultural background is a plus in his business.
I have both European and Asian (Turkish and Arabic) customers and my two cultures allow me to have a better understanding of each of them. I can, thus, behave and serve them accordingly. Since I mastered the two languages, German and Turkish, I can speak my clients’ mother tongue to make them feel at home. I also always have black tea and coffee prepared, thus I can serve black tea for the Mediterranean customers and coffee for the European ones. And me, I can drink both!è.

Besides his amazing entrepreneurial skills, Ali trains four times a week for the European Paralympic Championships of Grosseto in Italy but also for the Paralympic Games of September 2016 in Rio de Janeiro. Before the establishment of his company, he wanted to be a full-time professional athlete; however, now he has to manage both his business and his athletic careers. He is the fastest 200 meters German runner in his category (T42) and ranks ninth in the world.

Beginning of 2015, I finally got the right sport protheses and I could really start to train. Now, I am also on a campaign to find sponsors for new protheses, so if you are interested, you can help me.

The most important, according to Ali, to become an entrepreneur is to have self-esteem and believe in our personal projects. Then, no disability nor a migrant background will be an obstacle for success. This advice is applicable to all areas of lifeè.
«Towards a Single Market built around SMEs»

Interview with Luc Hendrickx, 
Director of Competitiveness of Enterprises 
and External Relations at UEAPME

European SMEs are very different from each other, varying in size, sector and access to market. This should not come as a surprise, since the European Commission counts more than 23 million SMEs. Nevertheless, they all share some challenges and difficulties in dealing with the globalised market, from access to credit to excessive red tape. To help them meet those challenges, a series of tools has been put into place by the European Institutions and the associations operating in strict contact with them. But how effective are these tools? And what can be done better? To answer to these questions we interviewed Luc Hendrickx, Director of Competitiveness of Enterprises and External Relations at UEAPME, the European Association of Craft, Small and Medium-sized Enterprises, an umbrella organisation representing more than 12 million enterprises in the 28 EU Member States.

Some critics in many of the Union’s countries accuse the Single Market to be a drag on business. What is your take on that?

We have to be honest: since 1992, the Single Market has had some negative effects on some SMEs, but in general, if you look at the global picture, most people are benefiting from it. This should not, though, disguise that there are indeed for some companies problems, both at the local and European level.

The positive effects of the Single Market are evident if one looks at current possibilities to export inside the internal market, and the flow of goods and services that before were not available. Although there are consumers who continue to complain about it, differences in prices between countries are slowly disappearing; when there still are some differences, the reason is that the different Member States are not yet at the same level. There are many different national regulations that can affect prices, and to eliminate them takes time. But I do not think that anybody in full honesty cannot say the Single Market has had good effects on SMEs. From the moment borders are open, it is a fact of history that consequences are positive.

At UEAPME, do you perceive enough support for SMEs on the part of the EU institutions such as the Parliament and the Commission? What do they miss when dealing with SMEs?

When one looks at the documents adopted and discussed in the last few years by the EU institutions, SMEs will appear everywhere. Everybody states that the small and medium enterprises are the core of the EU economy. But in reality, much more can - and should - be done. The problem with the Parliament and the Commission is the need to explain to politicians and policy makers how a small enterprise is working. This is our job, what we call the 'think Small First Approach'.

Legislation is still conceived with big companies and organisations in mind, because most of the people in the institutions only know them: very few of the people working in the Commission or the Parliament has direct experiences in SMEs, let alone in micro-enterprises - the majority of
companies in Europe. Let me remind you that in 21 millions enterprises in Europe, 19% of them are small enterprises; 50% of them are micro, one-person companies. This is the economic reality of the EU, and this has consequences. So, what we are trying to do is tell them dry to make legislation with the smallest enterprise and their characteristics in mind. The way of working in a small enterprise is by nature much less formal than in a normal one: this goes from health and safety rules to labor relations.

This is the main problem, the thing that is rarely taken into account when legislating for SMEs. Rules have costs and are time-consuming, and institutions have no idea of the administrative burdens our enterprises have to deal with. It is normally seen as the normal consequence of running a business that you have also to do things for the public authority. This is a huge problem.

What are the main problems that SMEs experience so far in their daily operations, especially in the current environment of enhanced competition?

The first problem is exessivered tape. Not to be misunderstood, it is not mainly a question of too much legislation; entrepreneurs do not have a problem with the objectives of legislation. Their problem is the way they have to be implemented in the enterprises. This is something we want to change: the ways SMEs are supposed to implement legislation has to be adapted to the needs and specificities of SMEs. This is only normal because if you do not do this, then automatically SMEs will not be able to abide by your legislation.

Globalisation is another key problem, since it begets increasing competition. Then, of course, the lack of financing: SMEs experience a lot of difficulties in accessing credit. One particular case is late payments: in 2011 a EU directive has been introduced, but it is clear to everyone that its shortcomings are visible, so we try to lobby the Commission to make them understand that they should come up with an improved and better directive. The issue is especially important in B2B relations, where we see there is a need for real standards: if you see that big enterprises impose to smaller ones payments later than 180 days, it is clear that small enterprises are financing the big ones. This is not a healthy relation. Payment deadlines of more than 180 days are unacceptable. You cannot say you are trying to improve access to finance for SMEs if then, at the same time, with their money they are financing big companies.

Concerning the lack of internationalisation, there is a fact: not every SME can internationalise, due to the characteristic of their business and their sectors. On the other hand, looking at the data, I think that more than 40% of all enterprises are already active in internationalisation in one way or another. The EU economy is stagnating so our SMEs, in order to be able to remain competitive, have to look outside of the EU and there we see again that by nature, SMEs lack the resources and the staff. Most SMEs remain active at the local level, and approaching the EU market for them is already a big step for which they need a lot of support and guidance.

The focus is not only internationalisation as such, but many SMEs are subcontractors: this means they might not export in a direct way, but being a supplier of a bigger company they are in fact exporting their products. We have brought this issue to the Commission; it is also a learning way, because many companies that started as
suppliers in this way were able to get accustomed to internationalisation.

**What are the concrete steps that UEAPMEis suggesting to make the institutions' action more responding to the SMEs' needs?**

In this regard, until some time ago the Small Business Act for Europe (SBA) was under scrutiny and many proposals were made, but unfortunately the Commission has confirmed that they will not come up with a renewed version. Of course we are not happy about it. Nevertheless, in the last years the policy of the Commission regarding SMEs has a little bit changed: the current EU's policy line is to integrate SMEs' issues in every EU policy. However, this cannot be a substitute for what we call a substantial horizontal EU policy towards SMEs. We have always said that the SBA is a basis for such a policy. What is lacking is the whole issue of employment and training. The principles of the SBA, such as ‘think Small First’ are still there, so they should continue to be applied not only at the EU level, but also at the national and local level. We think though that it should be revised and we need a better action plan for what concerns, for example, cross-border services, VAT action plan, measures to facilitate the establishment of business in other Member States, market relevant European Standards. The last point is of particular importance for us. So much so that we even have established a sister organization, SBS (Small Business Standards): it is very important to have common standards for SMEs to stay competitive. Furthermore, we have to continue our work on trying to obtain a fair balance between SMEs' interest and customer protection. This remains a problem. We think that currently there is certainly not a balance between the rights of customers and those of SMEs. Then, another big issue is the one of skilled man power: there is the crisis, there is a lot of unemployment; nevertheless there is a big problem in finding skilled workers. Once again, the SBA is for us not a fetish but it has shown its functionalities and it contains all the policy lines on SMEs that are necessary, so we should certainly build on it.

The digital single market strategy has recently been unveiled by the European Commis-
SMEs normally are always a bit behind on new evolutions. The whole issue of digitalisation is a good case in point of the problems SMEs experience. Even if personal computers have been around for a long time, so far normally an entrepreneur was exposed to computers and the digital world not through his/her job, but through his/her children, who came with their computer at home and slowly the entrepreneur understood its potential. Normally, small enterprises are a bit reluctant towards technological innovation, and therefore in our organisation we try to do our utmost to train enterprises. This has a lot to do also with the digital single market: on the issue of Cloud computing, UEAPME has led a very interesting project concerning cloud computing, Cloud in SMEs. We have also done a lot of campaigning trying to convince SMEs to do the step to the cloud.

Digitalisation is indeed a challenge for small and medium size enterprises, due to their scarce resources. But life is evolving: traditional SMEs have to adapt to those new technologies. In fact, a lot of the problems we see today are not new, they only appear in a new context. The whole issue of digitalisation will help SMEs in becoming competitive. It allows companies to stay always updated on the different versions of softwares. Also, digitalising is also a way to attract young people: to stay in the market and renew the workforce, it is important to be able to have those technologies in house. It has a cost of course, because you need to be trained: technological evolutions are going so fast that they need a constant training. On the other hand we are also not well aware of the consequences of digitalisation: look for example at how fast 3d printing is evolving; it is amazing how products can be made in a personalised, customised way. And then we see that the legislation is not adapting to these technologies: this is a clear challenge both for policy makers and for us, because we have to prepare entrepreneurs to meet their challenges.

In all this, the Digital Single Market is a priority for the Commission, as it is for us. What we need is correct information, so there is a lot to do for our business organisation on information and awareness raising of small and medium-sized enterprises. The whole topic of data protection, for example: it is very technical, so we cannot do it alone. The European Commission has a huge role to play, in setting up awareness-raising campaigns, in order to allow our SMEs to deal with these problems. These trainings though, needs to come in ways that our SMEs will understand: again, the basic problem is that SMEs have limited resources, so we have to come with the real message, tailored to the needs of the smallest enterprises.
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