

Position Paper

UEAPME's¹ position on the Communication of the European Commission on the Innovation Union

1. Introduction

UEAPME welcomes the communication of the European Commission on the “Innovation Union” flagship initiative. It will be necessary to drive innovation in products, services, business and social processes to ensure Europe's competitiveness in the future and to face the major demographic changes and increasing global competition. In this context it is no longer possible to think about single policies. Therefore, a strategic integrated approach to innovation and a medium- to long-term perspective is a pre-requisite. Moreover, UEAPME welcomes the streamlining of policies and programmes.

The communication on the “Innovation Union” is an analysis of the challenges that Europe is facing with regards to innovation. The communication identifies the main barriers, such as unsatisfactory framework conditions (insufficient access to finance, high costs of IPR, slow standardisation, ineffective use of public procurement) or the fragmentation.

According to the European Commission there is no shortage of potential. Therefore, it is not so much more invention that we need, we need to put ideas on the market. The European Commission underlines in its communication also rightly that the definition of innovation must include all areas, but it must also include all types, sizes and stages of enterprises not only high-tech based, newly created, “fast growing” small businesses. An innovation strategy that only deals with a minority of high-tech and fast growing companies is bound to fail. The largest amount of innovation in Europe is provided by small and medium sized businesses. Their potential should not be underestimated and they must be further supported since many of them, the so called sleeping innovators, lack the money and information to get their innovation to the market.

The strong emphasis on scientific research that can be seen in the communication is also rather misleading. If the focus on excellence in research did not bring the competitive advantage to the European Union so far, then the definition of excellence and the indicators used might have to be re-considered. This can be achieved, for instance, by paying more attention to economic and societal relevance as well as scientific excellence.

2. Tackle fragmentation

To make the “Innovation Union” a success it will not only be necessary to include all kinds of stakeholders in the innovation process, but also to tackle the fragmentation.

EU and national research and innovation systems need to be better linked up with each other and their performance must be improved. Therefore, a clear allocation of responsibilities in line with the subsidiarity principle is necessary. At regional level, this has to start with the “smart regional specialisation strategies” at the

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

bottom, which has to be integrated in the national innovation programmes and in the framework of the EU 2020 Strategy in line with the aims of the European Innovation Union.

Innovation policy has many dimensions and the competences are divided between European, national, regional and even local levels. For the success of the innovation strategy it is necessary to have the commitment of all stakeholders for the envisaged targets and the needed reforms in order to make the strategy work. Such commitments must include the involvement of important stakeholders at all levels in the elaboration of concrete aims and instruments and the full respect of the “Think Small First” principles (consultation, impact assessment, “only once” principle).

The proposal that the EU and the EU Member States should undertake a screening of the regulatory framework in key areas, including those linked to eco-innovation is fully supported by UEAPME. Eco-innovation will play an important role in future, especially with regard to the creation of new market opportunities which might help to overcome the current crisis.

3. Invest in education, R&D, innovation and ICTs

The Commission rightly identifies investments in education, R&D, innovation and ICTs as another crucial point for the success of the “Innovation Union”.

However, the focus here should not only lie on world-class universities. When the Commission uses indicators to measure innovation, they should not only look at university degrees but also take into account the professional education and training.

Innovation needs well qualified entrepreneurs and staff members who are innovation minded. The education systems at all levels need to put more emphasis on the entrepreneurial spirit as well as a labour market orientation. It is also necessary to build up the innovation capacity in SMEs and to offer them better training on innovation management. It will be necessary in general to foster closer links and better collaboration between enterprises, schools and universities if the EU wants to get more innovation out of research institutions.

4. Offer adequate support services

SMEs need adequate support services to design innovation projects and/or to handle innovation processes, especially if bigger changes in technologies and production process are involved, but also to facilitate the access to existing technologies and technology-transfer.

However, SMEs report deficits as regards the availability, the quality and the accessibility of such SME support services. This discourages SMEs to invest in innovation and in long term and risky projects. It is important to encourage support structures at national and regional level and provide access to necessary infrastructure (technical facilities, training centres, patent offices). To ensure the maximum benefit from the support services and different networks it is necessary to make sure that they are well connected among each other.

Since it appears that proximity and the personal aspect play an important role in the SME support services, it will also be important for the success of the “Innovation Union” to have an active policy to strengthen the capacity of the representative SME intermediary organisations (e.g. craft, commerce or economic chambers, professional organisations, etc.) to offer the innovation support that SMEs need to innovate.

These organisations play a strong role realise the innovation potential of SMEs by means of:

- identification of innovation capacities (sleeping innovators / innovation) and activities,
- ability to help the entrepreneur to integrate the innovation process into the global development of his/her enterprise and to connect the innovation issue with other factors of development (financing, standardisation, training, internationalisation, commercial or marketing strategy...),
- information and advice on policies, programs and others tools which could adequately support an innovation project,
- adapted support and follow-up at each step of the innovation process.

The implementation of the “Innovation Union” asks for an in depth partnership with the SME’s representative organisations at the EU, national and territorial. That means, on one hand, their strong integration in the governance of the “Innovation Union” and, on the other hand, that the EC proposals shall be implemented with a maximum involvement of them, especially when they deal with the smallest enterprises.

The goal also has to create synergies on the ground between these organisations and the European tools such as EEN, EIT or clusters.

5. Simplify access to EU programmes

UEAPME fully agrees with the European Commission when they say that the access to EU programmes must be simplified and their leverage effect on private sector investment enhanced. Unfortunately, the strong focus of the Commission on scientific research and universities also becomes visible when the Commission talks about the simplified access to EU programmes.

When SMEs are mentioned in this context it is limited to fast-growing SMEs and the Commission seems to be willing to improve access to EU funding and research programmes only for these companies.

Simplification of the existing procedures must concentrate on reducing the number of programmes and on cutting the administrative burden for companies. This must encompass all relevant instruments (FP, CIP, EIT, JTIs). Also it is important that, as mentioned earlier, it must benefit all SME’s. There is a risk that a large part of SME’s As a consequence, the vast majority of Europe’s small enterprises will find it even harder to obtain a concrete support to daily innovation and to participate to cross-border innovation and research projects as a result of the current strategy. . This is a shortcoming that must be redressed if Europe is serious about promoting innovation and closing the gap with its international competitors. The next generation of innovation support programmes must also be better integrated as regards the different steps of innovation processes (identification, information and advice, feasibility studies, R&D, knowhow transfer, commercialisation / prototypes, training) and the various support services. Furthermore, innovation support programmes at different levels (European programmes, programmes supported by Structural Funds and national / regional programmes) should be designed in a way that allows mobility between the levels, if needed. In this framework the smart regional specialisation strategies will play an important role to fully exploit the European Regional Development Fund to develop research and innovation capacities across Europe. To make the smart regional specialisation strategies a success it is important to include all relevant stakeholders, including SME representatives, from the beginning.

A simplified access to EU programs should also mean the reinforcement of the projects building capacities of the SME's representative organizations by a better access to technical assistance and to training programs, by the implementation of the "only once" principle, by their ability to support the enterprise's project and so to reduce the administrative burden on the enterprises.

6. Remove remaining barriers for entrepreneurs

Under the question "how to put R&D into reality" the Commission identifies several remaining barriers that need to be removed in order to bring more innovative ideas on the market.

The right framework conditions for entrepreneurs are of crucial importance, especially for SMEs, and the Commission correctly identified access to finance as one of the major barriers.

SMEs, especially on the continent, depend to a large extent on debt financing, but banks seem to be less and less able or willing to finance riskier projects with credits and loans and the market does not provide sufficient equity finance at all. The European financial support instruments (CIP, FP7 and Structural Funds) seem to be not sufficient for SMEs or not adjusted to their needs.

The existing financial support instruments at European level have to be streamlined and better coordinated. Furthermore, the development of new financial instruments, which are able to carry risks better will be necessary to ensure financing of innovation, especially in an early stage. Any financial instrument for SMEs must be adapted to their needs and must be made attractive for SMEs and intermediaries. Instruments which are not taken up by the market are useless and a waste of money.

A second decisive point is the question of affordable Intellectual Property Rights and the use of protected innovations. Even highly innovative SMEs refrain from protecting their intellectual property rights, because of the current expensive and complicate IPR regime in Europe, which does not meet the needs of smaller innovators. Therefore, UEAPME supports the Commission in its efforts to find a solution to this question. However, besides an improved protection of intellectual property rights, it is also necessary to foster the use of protected innovation through matchmaking between inventors and entrepreneurs.

Further to IPR, also standards play an important role for innovation. They facilitate the dissemination of knowledge and the interoperability between new products and services. In this context, the shortening of innovation cycles is a particular challenge. Therefore, the Commission is right to demand the modernisation and speeding-up of the standard setting for the benefit of innovation, but should nevertheless ensure an adequate participation of SMEs in the process.

However, neither intellectual property rights nor standards should lead to closed markets.

7. Strategic use of the massive procurement budgets

The Commission sees the big procurement budgets as a source for boosting innovation. However, public procurement can only play an important role when it comes to customer driven innovation and public agencies become important reference clients. Therefore, the mindset of the responsible persons for public procurement must be changed, since public procurement rules give too often the wrong incentives and prefer proven technology over innovative solutions at the moment. Furthermore, if public procurement is used to boost innovation it must be absolutely clear that this is not used to protect markets.

Another form of government intervention is presented in the form of European Innovation Partnerships. In its Communication the Commission announced the launch of European Innovation Partnerships to accelerate research, development and market deployment of innovations to tackle major societal challenges, pool expertise and resources and boost the competitiveness of EU industry.

UEAPME supports this idea but would like to point out that these European Innovation Partnerships should really be limited to areas in which government intervention is clearly justified and where combining EU, national and regional efforts in R&D and demand-side measures will achieve the target quicker and more efficiently.

Furthermore, the European Innovation Partnerships as well as initiatives in connection with public procurement have to be open for all kinds of enterprises, including SMEs, in the specific field and should not become closed shops.

8. Conclusion

The blueprint given in the communication on the “Innovation Union” must now be turned into reality and transform into an operational form. The implementation of the new European Strategy for smart, sustainable and inclusive growth will have to start by giving the flagship initiatives on innovation, qualification and industrial policy the right orientation.

The coherence between the “Europe 2020” strategy and the different flagship initiatives, but also the coherence between the flagship initiatives themselves, will be of crucial importance for the success.

UEAPME insists on a comprehensive approach as regards the new innovation strategy, which refers to all types of enterprises, recognises all forms of innovation and respects the specific way SMEs are doing business. In this framework it is important not to return to a research-driven strategy but to foster collaboration between a wide variety of stakeholders in the innovation chain. In this context we also ask for the participation of SME representatives at all levels in consultation, development, implementation, i.e. development of smart specialization strategy of regions.

UEAPME believes that these strategies can only work if they fully take into account all small and medium-sized enterprises. SMEs represent 99.8% of all EU business according to the EU current definition. They are considered the engines of the EU economy and competitiveness and contribute to about two thirds of total private sector employment in the EU.

The success of the “Innovation Union” will also largely depend on how commitments are put into practice. The policymakers must now demonstrate their willingness to act and make progress on concrete files.

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