

EESC-Employers.Today

APRIL 2008

EDITORIAL **ENTREPRENEURSHIP, EUROPE'S VISION FOR THE FUTURE**

Spurred on by the energy of our colleague, Madi Sharma, the Employers' Group of the European Economic and Social Committee has decided to give top priority to the promotion of entrepreneurship in Europe.

This is neither a fad nor a fixation. The only thing we have in abundance is the imagination of the women and men who can create wealth - material wealth, certainly, but also ideas, art, literature, design, cuisine and other forms of creation. For all forms of creativity are also forms of wealth.

Entrepreneurship could be defined as a propensity to create, to innovate, to start anew each day and to cast off routine and habit. One obvious expression of entrepreneurship is a young person's choice to embark on the adventurous job path rather than to take a civil service examination, to set up a fashion or dot-com business, a local radio station or a rock group. However, in many EU countries, our education systems, with their over-emphasis on submission to authority or hierarchy and under-emphasis on building self-esteem, are not conducive to entrepreneurship. The economic, financial and administrative environments places still more obstacles in the path, which could all be labelled as forms of "lack of trust".

Our old and tired societies no longer trust new energy and new initiatives.

In the film "La graine et le mulet" (The Secret of the Grain) a French director provides a vivid illustration



of the problems encountered by an immigrant worker, who is laid off from his job and wants to set up his own business. Who will put their trust in him? Only his friends, it seem and the Sète Chamber of Commerce.

Beyond the responsibility borne by the public sector, we, the employers' organisations, also have a responsibility to be open and to put our trust in people. Entrepreneurship must not be something reserved for managers and business owners alone. Everyone must be involved, including the

employees "*at the very bottom of the ladder*". Whilst these employees need to understand that their creativity is a mean to self-fulfilment and self-confidence, their managers and employers also need to understand this and to put trust in and find a way of rewarding them. As my colleague Staffan NILSSON, President of the EESC's Various Interests Group has reminded me, entrepreneurship is also a reality for farmers, the professions and the voluntary sector.

Promoting entrepreneurship also means developing the taste for taking risks and putting trust in people. The European Union needs to do so not only through words but also through its own example! Europe itself stands as our best example of enterprise over the past 50 years. Its founding fathers certainly had a taste for risk-taking and trusted the people of Europe!

The success of the various rounds of enlargement is an illustration of risk-taking, trust and the taste for enterprise.

It is therefore up to our Committee, and particularly to our Employers' Group, both celebrating their 50th anniversary this year, to show the way. Let us take risks and have a taste for enterprise!

Henri MALOSSE
PRESIDENT
EMPLOYERS' GROUP

IN THIS ISSUE

EDITORIAL	Pg. 1	PAN-EUROPEAN DYNAMICS	Pg.5
ENTREPRENEURSHIP WITH A HUMAN FACE	Pg. 2	TOWARDS AN ENTREPRENEURIAL EUROPE	Pg.5
WILL YOU BELIEVE THIS APPROACH?	Pg. 2	YOUNG EUROPEANS WITH BUSINESS FLARE	Pg. 6
ENTREPRENEURIAL CULTURE	Pg. 3	THINK "SMALL"	Pg. 6
HEROES AND HEROÏNE!	Pg. 4	RELEASE THE ENTREPRENEURIAL SPIRIT	Pg. 7
		ENTREPRENEURIAL MINDSETS	Pg. 8

ENTREPRENEURSHIP WITH A HUMAN FACE

Entrepreneurship with a human face is the leitmotiv of my presidency. It is a state of mind to be instilled in people from a very early age. It means that education is of prime importance, both at home and at school. I am convinced that the process should start in primary education or at the very latest from secondary education level.

The word "Entrepreneurship" has lost much of its significance during the last decades. In the EU Member States, and mainly in the old EU-15, many people have a



Dimitris DIMITRIADIS
PRESIDENT
EUROPEAN ECONOMIC
AND SOCIAL COMMITTEE

comfortable life, which we are, of course, happy about. But as a result, parents are seeking first of all security for their children and young students long to become civil servants. We need a good civil service, but it is obvious that not *all* of us can be and should be civil servants. Instead, I am convinced that making young people aware of the

"ingredients" of entrepreneurship, such as risk-taking, creativity and innovation, would pave the way to setting up more enterprises and this we definitely need in Europe in order to create new jobs.

The Commission and the EESC should encourage national authorities to concentrate on

promoting an entrepreneurial state of mind in people. This can be achieved by evaluating, welcoming, encouraging and supporting such a state of mind in all education and training activities in a process of life-long learning. It is of crucial importance that people are made aware of the advantages that can be drawn from an entrepreneurial spirit, both for their personal benefit and for society in which they live.

It is important to realise that *each* individual can make the difference and can contribute actively to the general well-being. Part of this is that entrepreneurs must get the opportunity for a second or a third chance to start a business, which is regarded as very normal in the US, for instance.

WILL YOU BELIEVE THIS APPROACH?

In order to be entrepreneurial in a holistic sense, employers and indeed all social partners and stakeholders should have an eye to gaining a fine balance between their activities that promote competitiveness and those that deal with the social aspects of economic development.

The European Commission (DG Employment, Social Affairs and Equal Opportunities) is



Susan BIRD
EUROPEAN COMMISSION

advocating that a closer look be given to the interaction between local employment development and corporate social responsibility. Local employment development is about creating multi-stakeholder, holistic strategies to increase prosperity and promote inclusion at the local level.

This has traditionally been public sector-driven. As companies are taking CSR more and more seriously, one of the

challenges for them is to engage seriously and voluntarily with stakeholders within their local community to promote truly inclusive and beneficial economic development strategies. Not only can possible "delocalisations" be addressed positively up-front, but new public-private partnerships can foster execution of new ideas, such as the important emerging issue of flexicurity. The challenge to employers and other stakeholders is clear - will you/they buy into this approach? The European Commission hopes so.

ENTREPRENEURIAL CULTURE

Taking into account that the typical European firm is a micro firm (91%), and 7% are small enterprises, it means that talking about promotion of entrepreneurship, we should observe at first what are the main problems for SMEs in the EU, and to think what should be done for solving those problems.



Eve PÄÄRENDSON
EESC MEMBER

The biggest challenges facing European companies are:

- unsatisfied level of productivity;
- low level of R&D and a general lack of understanding of what real innovation means and demands. The link between research and SMEs doesn't function well enough;
- lack of entrepreneurial spirit in the EU. More economy oriented primary education is needed;
- internationalisation of SMEs;
- only 3% of SMEs in Europe have subsidiaries, branches or joint ventures in other countries;
- quality of educational system remains a problem;
- lack of qualified labour force in certain sectors (at the same time we don't use all resources available in society (women, young people, disabled persons);
- SMEs in Europe have to face 27 different taxation systems.

THE GENERAL SPEED OF REFORMS IN THE EU IS WORRYING, AND INNOVATION REMAINS AN ISSUE

As we know, the Lisbon Agenda aimed at a 3% target for R&D. Unfortunately Europe still devotes a much lower share of its GDP to R&D than US and Japan (1,93% as compared to 2,59% in the US and 3,15% in

Japan. If current trend continues, then China will have caught up with the EU by 2009 in terms of R&D intensity.

WHAT SHOULD THE EU DO TO ENSURE THE PROMOTION OF ENTREPRENEURSHIP?

The EU must make efforts on simplification of legal environment: to create simple, transparent, and easy to apply regulatory environment, less obstructive taxation:

- the EU must develop their policies which foster SME growth and entrepreneurship, and to guarantee coherent implementation of the "think small first principle" when devising new policies and EU legislation;
- Better cooperation between member states and EU level towards deregulation of markets in the Union is needed;
- To remove obstacles to innovation and change. To increase its capacity to innovate (more funds for innovation, cluster building and networking between companies, for strengthening links between research activity and SMEs), since EU's future economic development would depend on its ability to create a growth in high-value, innovative research based sectors;
- The EU must make efforts on reforms on labour flexibility, and its educational and vocational system. Skilled workforce is a key issue for companies.

Despite of good economic growth rates during last years, and remarkable improvements on labour market in recent years, labour productivity growth continues to be disappointing,

averaging 1, 4% in 2007 and 1,5% in 2008.

The EU should foster entrepreneurial spirit at the level of schools and universities. The quality of entrepreneurial education within primary, secondary, and higher education need to be improved. Higher education institutions should further integrate entrepreneurship into programmes and courses in order to foster entrepreneurial mindset and skills among students (including scientific and technological students).

Employers' they should take a direct responsibility in developing entrepreneurial mindset, and culture, and in educating the next generation of entrepreneurs (better cooperation between schools, universities and businesses: mentors, company visits, job shadow days etc). Of course this is the field in what the EU could do also much more as it does. Due to the EU's social system, it's safe and comfortable to be employee in the EU. In long term perspective it's necessary to create an environment which encourage people to take more risks and to want to become entrepreneurs (to make them desire for ownership). This task can be achieved through educational and vocational system.

Entrepreneurship is not preferred career option for most Europeans. Only 45% of Europeans consider that they could be entrepreneurs, while for US this figure is 61%. It's also interesting to notice that EU new member countries are more entrepreneurial comparing to old member countries. In old EU 51% of young people want to become entrepreneurs, and in new member countries of the EU 62% are considering starting their own business.

HEROES AND HEROINES!



Madi SHARMA
EESC MEMBER

The greatest criticism conference organisers and government institutions make about businesses is that they never engage and are very difficult to communicate with - The meeting in Porto of the Employers Group of the European Economic & Social Committee was a real exception, 97% attendance and participation of employers! The other 3%? - Invited guests, Sue Bird EU Commission CSR, Victor SEQUEIRA, Vice-President of the EESC Employees' Group and Steffan NILSON, President of the EESC's Various Interests Group.

What was the topic of interest? Entrepreneurship! Lively debate, informative presentations from real entrepreneurs and stimulating questions from the floor proved that this was a key area of focus for employers and Europe. Our guests from Group 2 and 3 joined in the debate and very much supported and added to the discussions.

The panel discussions and debate raised some serious concerns about proposed legislation, the business environment and Europe's future in the global economy. Some of the key issues were:

- the value of entrepreneurship education, and how this must begin from an early age;
- creating and implementing an environment conducive to business growth;
- provision of mechanisms to support growing businesses;
- promotion of female entrepreneurship;
- accessibility to European capital for research and investment funding;
- removal the stigma and fear of failure;
- ensuring public perception of "entrepreneurs" is not confused with corporate multinationals;
- dialogue with trade unions and non-industry institutions to promote the benefits of business;
- communication with the Commission to ensure the impact of legislation on European business is understood – particularly when discussing CSR and supply chain.

The conference was rounded off from our very own

President and businessman Dimitris Dimitriadis who shared his passion for entrepreneurship and the role business has played in his family's history. Following which we enjoyed a tour and the products of one of the oldest industries in PortoPort Wine.

Entrepreneurs are passionate about their business, but due to their uniqueness, ability to work 24/7, create opportunity from disappointment, take risk and remain positive in the most adverse conditions, they are misunderstood by society and often ignored. In those economies where entrepreneurship, creativity and innovation have been encouraged the growth and wealth in that economy has blossomed, increasing the number of jobs created and employment options.

Many Governments, particularly developing countries, and including the ILO and UN, across the globe have identified entrepreneurship as a key priority.

As entrepreneurs and as Employers' Group, we have our role to play by being more vocal about our passion so that others may come to understand the benefits entrepreneurship and business brings to society.

WE ARE THE TRUE HEROES AND HEROINES!

PAN-EUROPEAN DYNAMICS

WHAT CAN GOVERNMENT DO FOR ENTERPRISE?

There is an opportunity, with modest investment, to kick-start a pan-European and highly-effective business networking movement that will accelerate enterprise within and between every EU country.

Growth company entrepreneurs live in a 360 degree and 24 x 7 world of problems and opportunities. Working in a high-risk environment, with intermittent successes and failures, under enormous time pressure, their world is often busy, fast-changing, confusing, complicated and the "food chain" relationships are not always clear. They need:

- Intelligent connections - fast and efficient access to Investors, Customers, Suppliers, Mentors, Expertise, Innovation, Market Intelligence, Advice, Ideas;
- Visibility in this market place to attract support and customers.

WHICH GROUP HAS THE BIGGEST POTENTIAL FOR ACCELERATING ENTERPRISE IN THE EU?

The young, the old or perhaps female entrepreneurs?

Answer: all of these are very important, but Overseas & Ethnic Entrepreneurs bring special dynamism and innovation, with contacts and skills for cross-border and cross-cultural opportunities. The UK has always had a very high proportion success stories from this group of entrepreneurs.



Jean-Pierre BARRY
EURO MEDIA GROUP

TALK VS ACTION

Its good that the 4th tribe of enterprise (Government) - as at EESC meetings - is ready to discuss important enterprise issues, but what will happen as a result?

All government bodies – local, national or regional, such as the EU – frequently comment about the importance of networking. And yet their support for business networking is, at the very best, peripheral and piecemeal – and only when networking projects or events fit in with pre-defined

and pre-budgeted initiatives (R&D, diversity, regeneration). To avoid the "tinkering" approach - such as the many dispersed investment and advice initiatives - there is an opportunity, with modest investment, to kick-start a pan-European and highly-effective business networking movement that will accelerate enterprise within and between every EU country.

Imagine:

- regular enterprise CAFE-style events for entrepreneurs and supporters of enterprise throughout the European Union (not Cityzone, but local interest groups);
- a network of networks which connects these groups and promotes cross-border transactions and dialogue;
- an EU Facebook for SMEs.

Cityzone has a model to achieve this and will be very happy to discuss it with any potential supporters.

TOWARDS AN ENTREPRENEURIAL EUROPE

The meeting of the EESC's Employers' Group in Porto – the aim of which was to familiarise members with the social and economic situation in northern Portugal and to discuss one of the most important items on the European agenda, entrepreneurship – was a success in terms of both the large number of members attending and the high quality content of the proceedings.



Paulo BARROS VALE
EESC MEMBER

In an increasingly globalised and competitive world, there is an urgent need for Europeans to display a spirit of enterprise and business skills, in order to reinvigorate the societies and

economies of the EU, its Member States and regions. Without new and renewed enterprises, the challenges of growth and employment cannot be met. Only a sustained effort in favour of entrepreneurial capacity, from both employers and from workers in companies or public bodies, can succeed in overcoming the present difficulties and safeguarding in the

long term the levels of development and well-being that have been built up.

A wealth of proposals and pertinent remarks emerged from the debate, and they should be put to good use in the EESC's future work and prompt stakeholders at all levels to act in their areas. Only

combined action amounting to a present-day "quiet revolution" can meet the current challenge. Schools, the media, the state, the financial system and employers' and trade union associations must focus on this key issue every day, preparing individuals for entrepreneurship and giving them a "taste for risk": something that can make a difference to Europe's future. Each person, each with their own part to play, must break down blockages in the system and create the best possible conditions for a flourishing and continuous renewal of ideas, methods, products and services. The challenge is huge, and the Employers of the EESC want to contribute actively, through their work, to stirring the sometimes excessively calm waters in which Europe sails.

YOUNG EUROPEANS WITH BUSINESS FLARE

As I stressed at the extraordinary meeting on entrepreneurship and innovation in Porto, I believe that the best way to encourage entrepreneurship among young people, in particular, is to create an environment conducive to entrepreneurship. A conducive institutional framework is truly essential.

In France, for example, at present an estimated 15 million people would like to set up their own business while only 200 000 new businesses are actually set up each year. This is evidence of the many constraints on entrepreneurship today.

I believe that the European Union must forge a closer relationship with young Europeans from

colleges and universities, but also young people from immigrant families whose latent business talent is just waiting to be



M. Cheikh NDIAYE
YOUNG ENTREPRENEUR
SENEGAL AND FRANCE

exploited – indeed, all *milieux* where there is enterprise potential. This could be achieved by setting up an organisation with the task of awarding prizes to young people throughout

Europe for the most innovative projects implemented; and bringing together young Europeans with business flare.

Europe must be more in touch with young Europeans as it is to them that the future of Europe is of most concern.

Projects to set up businesses are more ambitious than they were ten years ago and so more investment, and therefore more guidance and support, are needed. It is in Europe's interest for its citizens to set up businesses throughout the world, especially in developing countries, where there is considerable growth potential.

Europe currently has great opportunities and advantage in Africa and a number of emerging countries, thanks to historical ties. The breakthrough of China and India in Africa should not hold us back, but we must act.

We have a lot to offer in a number of areas such as technology transfer, energy and scientific research.

Europe and Africa have a future together and a special relationship.

THINK “SMALL”

Europe is at crossroads facing major challenges:

- its borders are widening, capitals and jobs are moving,
- technology is changing,
- resources are getting scarce,
- European population is ageing,
- new economies with different social models arise,
- climate change is there.

To face all these challenges Europe needs strong, thriving enterprises that innovate, create jobs, produce wealth, invest in research and technology, in the protection of the environment and are conscious of their social responsibility. That is why entrepreneurship – the creative, innovating, risk taking ability of an individual to turn ideas into action - is so important.

In fact, many European citizens, nearly one out of two, would like



Irini PARI
VICE-PRESIDENT
EMPLOYER'S GROUP

to become entrepreneurs, especially young. So why do they not go ahead? Why do they not turn their aspirations into reality? The answer is that there are many obstacles in all

the phases of an enterprises lifetime.

The most important obstacles enterprises and especially SMEs encounter are numerous complicated regulations, costly procedures and bureaucracy, lack of financing, lack of skilled workers, inflexible labor markets, high non-wage labor costs and

difficulties of developing markets abroad...

Europe and Member States can take measures to enable enterprises to overcome those problems by developing coherent and integrated EU policies that will apply the “think small first principle”, by pursuing the efforts to reduce red tape, by improving access to finance through innovative financial instruments, by promoting the European private company statute and most importantly by enhancing entrepreneurship in school and higher education.

Enterprises care about Europe; Europe needs enterprises to face global challenges and to sustain the prosperity of its citizens!

RELEASE THE ENTREPRENEURIAL SPIRIT

ENHANCE THE ROLE OF SMEs IN EUROPEAN ECONOMY

Czech Republic is a case study of the SMEs development in a new member state from Central and Eastern Europe. There was a specific situation – during the communist rule 99,9 % was state owned and there were no private businesses. After the 1989 revolution two waves of privatization were launched and the entrepreneurial spirit was released that lead to the mass proliferation of companies, entrepreneurs, self-employed people. There was no continuity and the entrepreneurs have to learn by practice from mistakes and failures. All this lead to untraditional behaviour of entrepreneurs. Gradually the business environment improved and became standard thanks to the compliance with the “acquis communautaire” through the accession to the EU in 2004.

Situation now is comparable to other member states. SMEs represent 99,85 % of total number of companies (991 786) and have 61,4 % of employees. They create 35 % of GDP and represent 54 % of investment, 43,5 % of exports and 54,6 % of imports .

SMEs face the same or similar challenges as in other EU countries: lack of capital for start-up and development, administrative burdens, small innovative capacities, weak export activities, insufficient



Ivan VOLEŠ
EESC MEMBER

human resources, small share in public procurement.

What should be done for SMEs? On national level government should remove all bureaucratic obstacles preventing SMEs to develop all their potential and it should guarantee the enforcement of the law, the legislation should be transparent and minimum. There should be systematic support for innovation activities, research and development, internationalization, improvement of system of education, training and lifelong learning, formation of clusters, cooperation with R&D centres. The investment incentives should be available not only to big enterprises but to SMEs as well. The taxation should be simplified. The financing of SMEs should be facilitated using venture capital, business angels and guarantees.

The business representation organizations (Czech Chamber of Commerce, Association of SMEs, SME Union) should be compulsory consulted on administrative burdens of new legislation on SMEs. Czech Chamber of Commerce launched several projects for SMEs: InMP – network of information points for advisory services, survey of R&D capacities specially for the needs of SMEs, support for clusters start-ups, support for competitiveness and adaptability of SMEs through modular education and advisory services, direct Communication between colleges and industry – Gateway to Research and support for internationalization of SMEs through network of Regional export managers.

On the EU level same efforts should be deployed to minimise the administrative burden (Think small first), all new legislation should undergo the detailed assessment of impact on SMEs. The Small Business Act prepared for 2008 should be adopted as legally binding to the Members States; the entrepreneurial spirit should be boosted by declaring some of the next years as the Year of Entrepreneurs. All support programmes should be reviewed from the point of compliance with the needs of SMEs. The EU SME policy should be regularly monitored in cooperation with business representative organizations of SMEs (Eurochambres, UEAPME).

ENTREPRENEURIAL MINDSETS

In the last ten years the approach of the European Commission to promote entrepreneurship in Europe has been oriented to the "Open method of coordination". It means that the EU provides a cooperation framework for the Member States with a view to convergence of national policies and the attainment of certain objectives shared by everyone. It is based essentially on:

- identifying and defining jointly the objectives to be attained;
- commonly-defined yardsticks (statistics, indicators) enabling Member States to know where they stand and to assess progress towards the objectives set;
- comparative cooperation tools to stimulate innovation, the quality and relevance of teaching and training programmes (dissemination of "best practice", pilot projects).

This method has achieved relevant goals: to simplify rules and regulations, to make easier the access to business markets and to improve generally speaking the interest toward entrepreneurship in the economic policy.

In the 2006 conference in Oslo has also been stressed the fact that entrepreneurship can be educated.

Fostering entrepreneurial mindsets of young people through education at all levels, from primary school to university is a goal for Europe. Entrepreneurship can be integrated into curricula either as a horizontal element in all fields of study (for instance in primary and secondary education) or as a subject in its own right (especially in higher education). In Oslo it was commonly agreed that the scope of entrepreneurship



Federico MONTELLI
CHAMBRE OF COMMERCE
MILAN - ITALY

education is much wider than training on how to start a business, as it includes the development of personal attributes and horizontal skills like creativity, initiative, self-confidence, among many others.

We can say that some goals in the policy to support entrepreneurship have been achieved. Now is maybe time to move forward and to establish more

effective programs to support entrepreneurship also in the field of finance, innovation, family business transfer etc.

In fact many programs (such as Structural Funds or the 7th Research Programme) put the Entrepreneurship and Small Business as primary targets but, in reality, the small business and the new ventures have found in the past some difficulties to attend such a programme.

EDITOR-IN-CHIEF • HENRI MALOSSE

EDITOR • BIRGIT FULAR

EDITORIAL CONSULTANT & PICTURE EDITOR • PAULA CORREIA

**ADDRESS OF THE EMPLOYERS' GROUP
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE**

Jacques Delors Building
Rue Belliard 99, B-1040 Brussels

TEL - 32-2-546 95 53

FAX - 32-2-546 97 54

E-MAIL : gr1@eesc.europa.eu

WEBSITE: <http://eesc.europa.eu>