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Published by the European Commission's Directorate-General for Enterprise and Industry

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Photographs for this edition were supplied by iStockphoto, Jean-Jacques De Neyer, Marc Ninghetto, Mostra, the European Commission and the European Space Agency.

Illustrations by Alain Biltreyst and Tostaky Corporate Communications.

Catalogue no:
NB-BH-06-022-EN-C

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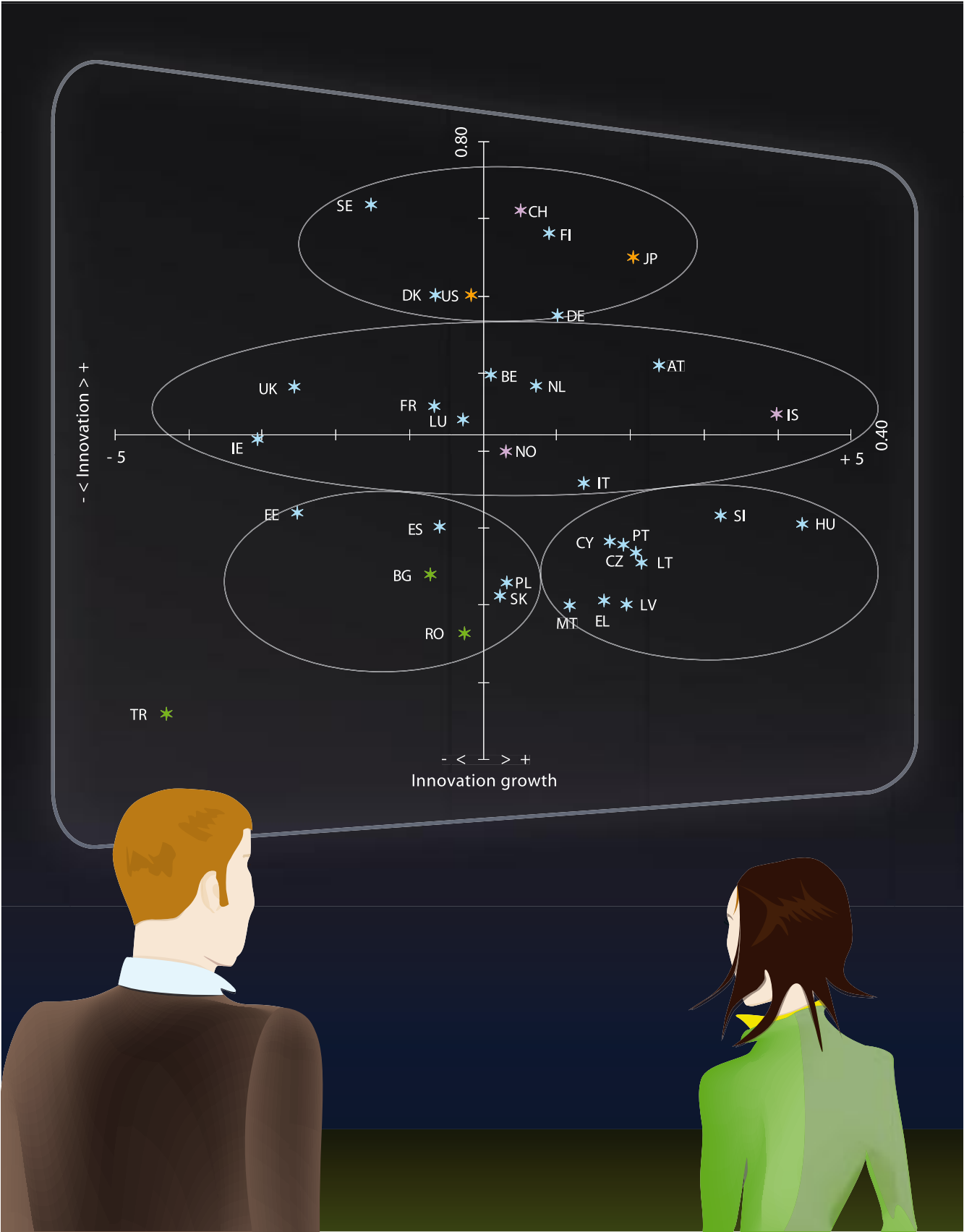
Countries in the Western Balkans are united in wanting to see a European Charter that has been a catalyst for economic reform and the promotion of entrepreneurship continue.



MOREOVER

EUROPE CIRCLING VENUS. 24

The Venus Express spacecraft is now circling one of the solar system's most intriguing planets, using the fruits of European research and expertise to probe its many secrets.



European countries broadly tend to be leading, average achievers, catching up or falling behind in the innovation stakes, according to the latest European Innovation Scoreboard. Source: Illustration based on figure 3 "Summary Innovation Index and trends" (page 11) of European Innovation Scoreboard 2005.

INNOVATION

Measuring Europe's innovation gap

Finally the message is getting through: growth and jobs are more than a priority; they are a necessity if Europe's citizens are to have the kind of future they have come to expect. And amid the growing consensus is the realisation that more innovation is key to Europe's companies becoming more competitive in a global environment. The analysis of national records in the latest European Innovation Scoreboard reveals a mixed picture with a few EU countries leading the world while others are falling increasingly behind. It also offers valuable lessons for policy makers wanting to address this critical situation.

⇒ Innovation can be both a simple and difficult concept to grasp. At its most basic, it refers to new products and procedures, a different organisation or a novel marketing strategy, and these do not necessarily have to be high tech. Yet, it ranges far wider than such identifiable items as these, or just pushing more money towards research and development. There are no easy solutions to innovation growth. To have a real impact, the policy requires support for risk taking and a holistic approach that encompasses a range of balanced and complementary measures.

Research is certainly one component. But other ingredients are also vital. The right kind of education to produce the necessary skills, the existence of an encouraging business environment and support services, access to venture capital, technology transfer, and the development of clusters are just some of the factors that encourage entrepreneurs to push forward the boundaries of knowledge.

The European Innovation Scoreboard (EIS) analyses national performances in these different areas by using 26 individual indicators grouped into five categories. Developed by the European Commission and the University of Maastricht, it covers the EU-25, Bulgaria, Romania, Turkey, Iceland, Norway and Switzerland, with occasional comparisons with the US and Japan.

The latest edition – the fifth – contains some new indicators and a revised methodology. The refine-

ments ensure continuity with previous assessments and confirm that the original indicators were soundly based. They also bring a wider dimension that helps to provide a more complete picture of a country's innovation performance.

Further evidence that action is necessary on several fronts comes with a recent report from a small group of experts under the chairmanship of the former Finnish Prime Minister, Esko Aho. This proposes some combined ingredients for a more effective European innovation policy. It stresses the need for a market for innovative goods and services, carefully targeted resources, new financial structures and increased mobility of people, money and organisations - a recipe that goes far beyond the narrow confines of traditional R&D (see article "Radical action required right away", page 8).

Mixed picture

The latest EIS confirms that significant national differences exist. Four distinct groups emerge. In the first, are leading countries that are still moving ahead: Finland, Sweden, Denmark and Germany, along with Switzerland, Japan and the US. One quarter of the EU's population live in its four world-class performers.

The second contains the average achievers: France, Luxembourg, Ireland, United Kingdom, The Netherlands, Belgium, Austria, Italy, Norway and Iceland.



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In the third group are the catching-up countries: Slovenia, Hungary, Portugal, the Czech Republic, Lithuania, Latvia, Greece, Cyprus and Malta. Cyprus provides a clear example, having among the highest growth rate in seven indicators ranging from employment in high tech services to public R&D expenditure.

However, catching up is no quick process. At current rates, it will take until 2015 before Hungary, Slovenia and Italy reach the EU average and Malta, Slovakia and Poland will not do so for over 50 years.

The final category contains those losing ground: Estonia, Spain, Bulgaria, Poland, Slovakia, Romania and Turkey – all of which are on the Union's southern and eastern periphery. Spain's ranking suggests that its strong economic performance relies more on the use of spare resources than on innovative breakthroughs.

Failing to close gap with the US and Japan

The EU is still failing to close the innovation divide with its main competitors, the US and Japan. Indeed, while the gap with the former is roughly stable, it is increasing with the latter. The EU performance is

particularly weak in three areas: the level of tertiary education in the population, which is an innovation driver; spending on information and communication technologies, which is an input for innovation and entrepreneurship; and the registration of patents, which partly indicates the generation of new intellectual property.

The US performs better than the EU in 11 indicators, while the Union scores higher in just five (science and engineering graduates, university R&D financed by the business sector, employment in medium-high and high-tech manufacturing, community trademarks and community designs).

Japan, despite its recent history of economic doldrums, also leads the EU in 11 areas. The Union has a better record in only four (share of medium-high and high-tech R&D, university R&D financed by the business sector, community trademarks and community designs).

The scientific field is one very tangible area where key differences can be seen between the EU and the US. US researchers demonstrate higher productivity, whether measured in terms of publications or citations per researcher. In addition, American universities are more closely involved than their European counterparts in innovation in general – a feature which graduates may take with them into the wider world.

Indicators to initiate debate

The indicators are not designed to draw up a league table pointing a finger at laggards and praising the front-runners. Instead, they are intended to be the basis for opening discussions with Member States, alerting them to potential trends and prompting thought on remedies.

Innovation is a key component of the national programmes each Member State has submitted under the Lisbon economic reform programme and examined by EU leaders at their Brussels summit at the end of March.

The indicators are built into five separate groups to give a clear picture of balances, and imbalances, of a country's innovation system. Innovation drivers measure the structural conditions necessary for

innovation potential. Knowledge creation is the result of investment in R&D. Innovation and entrepreneurship assess efforts towards innovation at the level of individual firms. Application addresses performance as reflected by labour and business activity in innovative firms. Intellectual property is a proxy for the exploitation of innovation by companies.

They reveal that while the US and Japan may have an overall advantage in the innovation stakes, some European countries fare very well. Finland leads the way on innovation drivers and knowledge creation, while Sweden and Germany are ahead of both Japan and the US on the latter. Sweden and Denmark are narrowly behind Japan on the former and ahead of the US.

The report identifies the European countries that are in the top three for each indicator. Sweden, Finland, Denmark, Germany and Switzerland occupy 60% of the top slots, but they by no means have a monopoly. Ireland leads in science and engineering graduates. Austria occupies first place for the percentage of firms receiving public funding. Latvia is top in the share of university expenditure financed by private business. Hungary has a greater share of innovative SMEs cooperating with other businesses and Malta leads in its share of high-tech exports.

As part of its analysis, the EIS examines individual industrial sectors. This year, the number featuring in the report has been increased from 14 to 25 covering the EU-15, except for Ireland and the United Kingdom. This confirms that the most innovative sectors are electrical and optical equipment, information and communication technologies, and computer services and related activities. The least are mining and quarrying, transport, storage and communication, and textiles.

Predictably, Finland, Germany and Sweden feature prominently. The diversity of Finland's innovative strengths (ranging from mining and manufacturing to basic metals and transport) confirms that the country's innovative capacity is not, as some suggest, limited to mobile phones.

However, other Member States are also leaders in individual sectors: Belgium in food products and business services; Austria in chemicals; Portugal

in electricity, gas and water supply, and financial intermediation; and Greece in computer services.

Consistency is key

Whether to build on strengths or to remedy weaknesses is a choice with which policy makers constantly grapple. Any response must take account of specific national circumstances. For some, innovative capabilities in one area can spill over and give a boost to weaker ones. Equally, poor performance in one field – lack of entrepreneurial spirit, for instance – could undermine efforts being made elsewhere.

The EIS suggests that to be successful it is necessary to have an even and consistent performance in all five categories. A below average score in just one can drag down overall performance and stoke up potential problems for future innovation.

Germany offers an example. The country's weak performance on innovation drivers, notably on education for the next generation of entrepreneurs, could undermine its efforts in other areas to promote innovation. Similarly, the relatively low position of Denmark, the UK and Switzerland in knowledge creation, and Austria and Portugal in innovation drivers could slow down their overall progress.

Conversely, special investment in one category may not lead to an overall innovative performance. This could be the case for Estonia and Portugal on innovation and entrepreneurship, where they feature in fourth and eighth position respectively, and Ireland which heads the applications category.

Thus, given equal costs, it should be more rewarding to try and improve areas of weakness, rather than make further improvements to areas of strength.

Innovation and the public

What do consumers think about innovation? Are they more likely to buy goods and services if they contain the latest technological breakthrough or development? The results from the first Innobarometer survey of 30,000 Europeans in the EU-25, Bulgaria, Croatia, Romania and Turkey are inconclusive.

While 11% said they were enthusiasts for innovation and 39% are attracted by it, 33% are reluctant and 16% openly opposed. The highest proportion of pro-innovation citizens are to be found in Malta, Slovakia, Romania and Italy – all countries whose output indicators on the innovation scoreboard are higher than their inputs.

At the other end of the scale, come Poland, Latvia, Germany and Finland. The case of Germany is interesting since the country generally fares well in any innovation assessment. This suggests that the push for innovation comes not from public demand, but from companies themselves, in particular those who respond to export demand. ≡

The report and its annexes are available at: www.trendchart.org

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For useful links, visit the online version of the article at

 ec.europa.eu/enterprise/library/ee_online/art02_en.htm

INNOVATION

Radical action required right away

In their report, “Creating an Innovative Europe”, issued in January, an independent expert group states that current trends are unsustainable in the face of global competition and calls for a European pact for research and innovation, urging rapid, collective action and a new vision to address Europe’s productivity and social challenges.

⇒ The group proposes a 4-pronged strategy focusing not just on financing innovation or research and development, but also on the creation of innovation-friendly markets, increased structural mobility and, in addition, the growing imperative for more positive European attitudes towards entrepreneurship and risk taking.

Failure to make what amounts to a paradigm shift would see Europe not only fail to close the gap with

the developed economies of the US and Japan, but also run the danger of being overtaken by emerging global players such as China and India, the group predicts in its report. It emphasises that parallel and mutually-supportive efforts are essential



and warns that success will require whole-hearted commitment from political, business and social leaders.

The four-member group under the chairmanship of Esko Aho was set up by EU leaders at their informal Hampton Court summit in the UK in October 2005. The former Finnish Prime Minister has direct experience of the importance of innovation for today's economies. When in office, he successfully promoted innovation and knowledge to reduce his country's previous high unemployment and debt rates.


The report argues for the creation of a market for innovative products and services that can provide companies with incentives to increase investment in research and to apply the full range of modern technologies. Specifically, it is recommending a harmonised regulatory environment that stimulates innovation, standards that demand high technical performance, use of public procurement to drive demand for innovative goods and development of a cultural shift that celebrates innovation.

The group identifies strategic areas for action: e-Health, pharmaceuticals, transport and logistics, energy, security, the environment and the digital content industry.

On R&D, it calls for generous financing, from public and philanthropic sources, for Europe's most accomplished scientists and increased investment in biotechnologies, nanotechnologies and neuro-sciences. Funding could also be leveraged by fiscal incentives and an overhaul of state aid rules, which the group

considers to be outmoded and disadvantages Europe in relation to global competitors.

Finally, it emphasises the importance of mobility of people, ideas and finance by replacing a social framework based on an industrial resource-based society to one that supports innovative growth in a knowledge-based society. It warns that any society that is averse to risk and change is unsustainable in the face of rising competition from other parts of the world.

The report concludes: "The opportunity to implement the proposed actions will not be available for much longer. Europe and its citizens should realise that their way of life is under threat but also that the path to prosperity through research and innovation is open if large scale action is taken now by their leaders before it is too late." 

The Aho report is available online at: ec.europa.eu/invest-in-research/action/2006_ahogroup_en.htm

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For useful links, visit the online version of the article at  ec.europa.eu/enterprise/library/ee_online/art01_en.htm

COMPETITIVENESS

Growth and jobs: the same view from two summits

In Spring, economic policy and entrepreneurship dominate the European Union's annual calendar. EU leaders use their March summit to push forward their economic reform programme to boost growth and jobs. Just days before, leading members of the continent's entrepreneurial community attended the European Business Summit adding their knowledge and input to efforts to improve the Union's competitiveness.

⇒ José Manuel Barroso, the Commission President, captured the prevailing mood among policy makers as they concentrated on helping European business. Speaking just before the Brussels European Council in March, he said: "For business we need to roll out a red carpet, not create red tape".

A few days later EU leaders reinforced the need to apply systematically the "think small first" principle in all relevant legislation. They also called on the Commission to bring forward specific measures to encourage the development of small businesses. These could range from longer transition periods and reduced fees to simplified reporting requirements and even exemptions.

The remit specifically invited the Commission to continue to help national authorities make policies more friendly towards small and medium-sized enterprises (SMEs) and to ensure that the overall regulatory environment is "simple, transparent and easy to apply".

The summit attached particular importance to the problems of establishing a business. It set every government the target of setting up a one-stop-shop so that by the end of 2007 it would be possible to create a company within one week anywhere in Europe. In addition "start-up fees should be as low as possible and the recruitment of a first employee should not involve more than one public administration point".

The summit acknowledged that the Commission's "thorough and balanced" impact assessments of its new proposals, concern for competitiveness and

its simplification programme were all helping to create a more favourable business environment.

The Commission has also now been asked to measure the administrative costs of businesses implementing EU rules in specific areas.

A collective effort

At this year's Brussels European Council summit the national reform programmes demonstrated a new level of Member State commitment to economic reform. Drawn up by each of the 25 national governments, these identify the main challenges they intend to address in the year ahead. They share the same 24 integrated policy guidelines agreed by EU governments last year and have all been analysed by the Commission.

The results are set out in the Lisbon strategy's annual progress report. This identifies the strengths in the different programmes to encourage the exchange of good ideas. Where there are shortcomings, it proposes concrete ways of remedying them.

The Commission selected four priority action areas: investment in education, research and innovation; unlocking the business potential of SMEs; emphasis on employment policies that will get people into work; and measures to guarantee a secure and sustainable energy supply.

Overall, there is consensus on the need to step up a gear by turning common sense ideas in the



European Commission Vice-President Günter Verheugen addressed a plenary session at the European Business Summit on 17 March 2006

programmes into common practice. The Commission, however, made it clear it would have liked to see some countries commit themselves to more specific targets and timetables, and more detail on stimulating competition and removing obstacles to market access.

Now that the individual programmes are in place, each government has its own yardsticks against which it will be measured. That will begin in the autumn when they will have to report to the Commission on the measures taken and progress made towards their specific goals. It will continue next March when the results of one year's activities are available.

Business support

An initiative of the Federation of Enterprises in Belgium along with UNICE, the voice of business in Europe, the European Business Summit is one of Europe's premier entrepreneurship events attracting leading members of the political and business establishments.

It is strongly supported by the European Commission with Mr Barroso, Commission Vice-President Günter Verheugen and other Commissioners attending. Senior officials from the Directorate-General for Enterprise and Industry were also well represented.

Throughout the event, the need to reduce administrative burdens, create an environment where the business community can feel confident of taking calculated risks, and stimulate innovation were all emphasised as essential items on the entrepreneurship agenda.

Although Europe faces tough competition from the US and China, Mr Verheugen struck an upbeat note. He recognised that time was running short, but emphasised that European business had an in-built capacity to rise to the challenges and urged companies to take advantage of the favourable climate the Commission is looking to create.

He dismissed critics who maintained that the economic reform programme was failing to deliver and said that clear results were emerging. As proof, he contrasted the high profile attention given to a few thwarted take-over bids and "economic patriotism" with the reality on the ground of increasing numbers of business mergers.

Shared priorities

The voice of European business was heard clearly at both summits. UNICE delivered a clear message to European leaders. Under the overall banner of implementing the Growth and Jobs reform package and resisting moves towards protectionism, were six objectives.

They called for full implementation of the national reform programmes, a recommitment to the internal market, strengthened links between research and innovation, creation of a European energy strategy, moves to unlock the potential of Europe's SMEs and improvements in people's employment opportunities.

All six themes were highlighted in the conclusions of the EU leaders' summit, demonstrating the clear consensus between the political and business communities on Europe's entrepreneurial future. ☰

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For useful links, visit the online version of the article at



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"Beslenebilirim" (I know nutrition) - a partnership between Nestlé Turkey and the NGO, Turkish Education Volunteers Foundation, provides nutrition and health education to 100,000 children over a 5-year project

COMPETITIVENESS

Corporate Social Responsibility: encouraging best behaviour

Over the past decade, the concept of corporate social responsibility (CSR) has gradually taken root and been integrated into the activities of a wide range of enterprises. Two recent developments are raising its profile to fresh heights. The first is a new Commission communication emphasising the scope and voluntary nature of CSR. The second is the launch of the European Alliance for Corporate Social Responsibility, an open grouping of enterprises involved in CSR initiatives, and which enjoys the full political support of the Commission.

⇒ The Commission's latest communication on Corporate Social Responsibility* has three main aims. It is designed to give greater political visibility to the concept, to acknowledge what European enterprises already do, and to encourage them to be even more proactive and imaginative. In addition, the communication aims at fostering the multi-stakeholder approach.

The communication builds on the recommendations of the European Multistakeholder Forum on CSR, which published its final report in July 2004. It also

demonstrates the conviction of the Commission that "responsible entrepreneurship can contribute to the Union's overall economic growth and jobs strategy," as Günter Verheugen, the Enterprise and Industry Commissioner, said at the launch of the Alliance.

Clearing the way for action

Depending on the angle of approach, attitudes to CSR vary considerably and the importance of the issue often

* Implementing the partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility.

generates heated debates, which in turn can hinder progress. The communication clarifies the Commission's position on CSR and puts in place a firm political direction, which will give a new impetus for actions and serve as a basis for continued dialogue among all stakeholders. In this context, the Commission proposes to re-convene the multi-stakeholder forum, which last met in 2004, to take stock on CSR in Europe.

The communication makes it clear that using CSR as a means for controlling business, as some corporate critics may have wished, would not achieve the desired result. It acknowledges that enterprises are the primary actors in the process, and that they should be allowed to determine their most effective level of involvement in initiatives. Rather than attempting to force the hand of business, it provides an agenda that offers the best opportunity for companies to work with their counterparts in civil society and government, encouraging them to see setting higher standards for corporate action as part of their drive to enhanced competitiveness.

The emphasis is in line with the fresh start the Union gave to the Lisbon economic reform agenda a year ago when it was transformed into a Partnership for Growth and Jobs. This new agenda underlines that only a strong economy will make it possible to achieve the wider aims of social cohesion and environmental sustainability.

Volunteer force

Equally importantly, the Commission communication makes clear that the Commission regards CSR as a voluntary business contribution and that it will not strive for legislation in this area. Any move towards additional obligations and administrative requirements on business, it points out, could be counter-productive and would be contrary to the wider principle of better regulation.

The communication also respects the diversity of the EU and does not try to impose one model or one vision of CSR on very different business cultures. Uptake and awareness of CSR varies significantly between EU Member States. For some of the countries that have recently joined the Union, the terms of debate can be very different: while 15 years ago it could have been considered that the primary role of enterprises was to contribute to general social welfare, now mere compliance with legislation

is sometimes seen as a responsible act. The new policy gives Member States the necessary freedom to promote CSR in a way that is appropriate and relevant to their businesses.

Peer pressure

The best companies are already highly innovative in their annual reports, even giving details of the political lobbying they undertake. The impetus for such transparency comes not simply from a desire to present the best possible image, but also from outside pressure.

This can take many forms in addition to that exerted by NGOs and trade unions: their corporate peers, shareholders, consumers, markets, stock exchanges and credit rating agencies, which increasingly focus on enterprises' social and sustainable development records as well as their business performance, are joining the ranks of CSR performance judges. The combination should increasingly provide powerful incentives for laggards to emulate their peers.

While ruling out legislation for the foreseeable future, the communication articulates the high expectations of the Commission and various stakeholders. Companies are strongly encouraged, in their own and the wider interest, to go beyond the minimum legal obligations that exist on the statute book.

This point was echoed by Bernd Pischetsrieder, Volkswagen's chairman, at the launch of the CSR Alliance on 22 March: "It is in our selfish interest to be good at CSR. Europe's citizens are our customers and if we want to be accepted, we have to think what their interests are."

Rallying to the Alliance

The European Alliance for Corporate Social Responsibility is a political umbrella that will help to mobilise and give recognition to the wide range of different CSR initiatives that companies are now implementing and to provide parameters for corporate behaviour.

Enterprises of all sizes, especially small and medium-sized enterprises (SMEs), and business organisations are being actively encouraged to support this open Alliance. They do not need to formally sign up to it,

but will be expected to share its values and ambition of making Europe a pole of CSR excellence.

Three strands run through the main activities of the Alliance, which has already won the outspoken support of 40 leading multinationals such as Volkswagen and BP and a similar number of business organisations representing both Europe's employers and the European SME community. It is setting out to raise awareness and improve knowledge on CSR, and to report on achievements in this area. It will help to mainstream CSR and develop partnerships and cooperation coalitions. It will look to nurture an environment that will help all concerned to reap the maximum benefits from CSR initiatives.

The existence of the Alliance should be of special benefit to small companies, whose interests, and consequently CSR activities, are highly diverse. Its presence should make it easier to recognise their contribution, offering more incentives and reducing handicaps. The fact that many large enterprises increasingly stress the need to respect responsible entrepreneurship when awarding subcontracts to small businesses is a further spur for wider use of the practice.

The Commission is giving full political endorsement to the Alliance. As part of that backing, it is emphasising the need for the exchange of best practice, consumer information and transparency, more interdisciplinary research on CSR, and the introduction of the concept into educational programmes. The Commission also expects enterprises that support the Alliance to work together in partnership with other stakeholders.

Competitive, Small, Responsible

European Commission encouragement for CSR is not new. More specifically, it is currently running a project designed to mainstream the concept among SMEs, which provides some financial support for selected projects and includes the creation of an expert group acting as a forum to collect and exchange ideas and experience on how best to support CSR among small businesses.

The programme, which will run through 2007, is concentrating on seven key topics: CSR, SMEs and regional competitiveness; the business case for CSR among SMEs; capacity-building for business support organisations; awareness-raising; toolkits and management systems, including reporting; supply-chain issues, mentoring and certification; and definition and content of CSR in different national contexts.

The group has already examined the links between CSR and competitiveness in SMEs at both the macro/regional and micro/enterprise levels. Specific case studies focused on experience in Italy, Denmark, The Netherlands and the United Kingdom.

Taking up the challenge

Now that the parameters of Commission policy on CSR have been clarified and the Alliance has been established, the challenge is for national and regional business organisations working with companies large and small to identify what contributions they can make.

In doing this, they are being actively encouraged to involve other interests – environmental, community, employee, non-governmental or educational – as they develop their initiatives.

The Commission's communication on CSR is subtitled "Making Europe a pole of excellence on CSR." It is now up to enterprises, in cooperation with their stakeholders and with appropriate support from public authorities, to turn that vision into reality. ■

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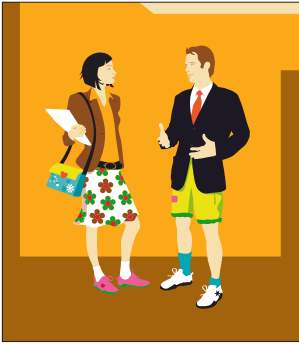


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ENTREPRENEURSHIP

Educating the next generation of entrepreneurs





The days when education and entrepreneurship were two separate worlds with little in common are increasingly a thing of the past. Now, to their mutual benefit, more and more bridges link the two. A recent European Commission communication, “Fostering entrepreneurial mindsets through education and learning”, presents the case for a systematic approach to entrepreneurship education from primary school to university.

⇒ The arrival of entrepreneurship studies in their widest sense on educational curricula is a relatively recent phenomenon. Indeed, while they are given increasing prominence in some EU countries, their importance for the overall wellbeing of European society as a whole and for the individual development of today’s students, but tomorrow’s adults, is not universally recognised.

The term ‘entrepreneurship’ itself can give rise to misconceptions. With their respective backgrounds, parents, the business community and the educational establishment almost certainly have a different initial understanding of what the concept involves. To some, it may carry loaded nuances of unbridled capitalism or even exploitation of fellow human beings.

However, in the world of education, the reality is very different. For the European Commission, the concept is far wider than simply making money. It is about giving young people the personal management skills that will serve them well in their lives ahead.

The Commission communication describes entrepreneurship as referring “to an individual’s ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports everyone in day-to-day life at home and in society, makes employees more aware of the context of their work and better able to seize opportunities and provides a foundation for entrepreneurs establishing a social or commercial activity”.

The description is deliberately broad. It is the result of widespread consultation with a range of experts from the worlds of business, academia, national ministries and non-governmental organisations. It

also reflects a clear meeting of minds between two Commission Directorates-General – one in charge of Enterprise and Industry, and the other Education – with their very different constituencies.

A broad impact

From the point of view of Enterprise and Industry, the imperative of acting quickly and introducing basic entrepreneurship learning into schools and universities is a vital part of the Union’s overall economic reform programme.

To create jobs, increase economic growth and ensure Europe can more than hold its own against international competitors, the EU needs to nurture generations of business people who are prepared to innovate, experiment, spot commercial opportunities and take risks.

Providing students with a taste of this world when at school or university can help to develop an interest in such activities and raise awareness of career prospects that might otherwise not have been considered.

But entrepreneurship teaching is not simply an updated version of business studies. It is one of eight key competences that the Commission identified in its recent draft recommendation on lifelong learning. It implies a more holistic approach and can develop students’ self-esteem, boost their confidence and skills and give them an insight into the world outside the classroom.

Precisely because the subject tends to be taught in ways that are different from more traditional disciplines – there is great emphasis on doing things instead of simply learning – it can frequently appeal to students who might otherwise have

little interest in school and want to drop out as soon as possible.

The importance of helping students to develop their full potential cannot be underestimated. By 2010, half the jobs available in Europe will require people with high skills. Only 15% will be available to those with just basic schooling.

Collective action key to success

If the fusion of education and life-management skills is to be successful, it must be accompanied by real support among all those concerned – school teachers and administrators, parents and the business world – in showing an interest in preparing young people to be better persons and more employable.

Action is necessary at many different levels. At the very top, traditional divides between government departments can prevent close communication between ministries handling educational, employment and industrial affairs in developing an overall strategy.

Even if clear guidelines exist, there can sometimes be hurdles in communicating these to education authorities, many of which operate on a decentralised basis and may even be reluctant to change. However, their status also has an advantage since it offers them the flexibility of adapting the broad principles to their local environment.

Special responsibility falls on teachers themselves. They are the ones who can stimulate enthusiasm among their students, but many of them have never received the training needed to master the new subjects. To overcome this hurdle, many schools are turning to outside bodies such as chambers of commerce and to the local business community.

Parents also have a role in encouraging their offspring to benefit from the new activities, which they themselves did not have the opportunity of pursuing, and many of which take place outside normal school hours.

Spreading good practice

While emphasising that the organisation of education systems remains firmly a matter for Member States,

the Commission has set out a series of recommendations based on the good practice already identified in Europe.

These come as many governments are looking to reform their existing systems to place greater emphasis in schools on equipping students with skills and attitudes, not simply knowledge. Entrepreneurship fits into this pattern.

The starting point is the need for a far more systematic approach towards entrepreneurship education. This can be achieved by ensuring full cooperation between national and regional authorities – as is increasingly happening throughout the Union – in developing a strategy that will cover all stages of education, from primary to university. This would allow entrepreneurship to be an integral part of the school curriculum.

To help schools and teachers handle this extra responsibility, the Commission is urging governments to make more resources available in the form of practical support and incentives. These could include initial and in-service training for staff and moves to make sure that headmasters and board governors are fully aware of the importance of entrepreneurship education.

The local community also has a role to play. As a focal point for activities in their areas, schools are well-placed to develop links with nearby organisations and businesses, and construct practical projects for their students.

For companies, there are advantages in such links. On one level, they reflect well on a firm's corporate social responsibility, enhancing its reputation for caring for the environment, social issues and its neighbours. On another, they offer a practical way of demonstrating what they do and perhaps of stimulating interest among future employees.

The communication also addresses university administrators and is looking to redress the balance with the US where four times as many professors teach entrepreneurship studies as in Europe. It recommends that entrepreneurship should be integrated across different subjects and courses. This could be especially beneficial for scientists who tend to operate in an environment where they are not encouraged to consider the potential commercial benefits of their work.

Schooling budding entrepreneurs

It is never too early to start. Although explicit examples of entrepreneurship studies are few and far between in Europe's primary schools, there is growing emphasis on classes that encourage youngsters to show their initiative and take on responsibility.

Schools in Luxembourg use the story of a young boy who develops a simple business idea to raise money to buy a bicycle in classes for eleven and

twelve year olds. The aim is to raise awareness of the possibility of a business career, but the text also doubles as a tool for introducing basic financial analysis in maths classes.

On a wider scale is the Young Inventors Competition aimed at children from six to sixteen years of age. It encourages them to develop their ideas and creativity.

Entrepreneurship in its widest sense is far more common for teenagers as schools look to raise their

Finland puts policy into practice

Implementation of the Commission recommendations is the responsibility of Member States, who need to apply the good practice most relevant to their existing systems.

For example in Finland, the National Board of Education and the Ministry of Trade and Industry cooperate closely in developing education and training for entrepreneurship. They organise lectures and seminars, disseminate ideas and examples of good practice, and draw attention to material on various websites.

Since 2002, the National Education and Training Committee for Entrepreneurship has been developing and evaluating activities in this area. Its membership represents the Education and Trade and Industry ministries, SME organisations and the main social partners.

The principal challenge people working in this area find is in demonstrating to teachers' trainers that entrepreneurship is a relevant objective at all levels of education. Many do not initially consider it to be a normal feature of school students' curriculum, rather a subject for adults only.

Another factor is that the Finnish word for entrepreneurship – *yrittäjyys* – only refers to its external, commercial aspect, not to its internal, self-improvement dimension – a linguistic situation that makes it harder to convey the dual nature of the concept.

Basic education weeks where pupils can gain on-site work experience are a long-standing feature in Finland. The country's new national core curriculum for basic education and upper secondary schools includes a cross-curricular participatory citizenship and entrepreneurship theme.

This is designed to teach students to act with a sense of enterprise and initiative, become engaged citizens, be familiar with the operating principles of entrepreneurship and understand the significance of work and entrepreneurship to both individuals and society.

It is also government policy that all students in vocational education and training (VET) should have entrepreneurship studies in future and participate in on-the-job learning periods in industry. Starting this year, these students must pass skills tests which include assessment criteria for entrepreneurship.

A survey is planned to evaluate the quantity and quality of entrepreneurship studies in the country, and all 33 national education and training committees in different educational fields will be involved with entrepreneurial development.

Enterprise Europe would like to thank Ms Hannele Louekoski from the Finnish National Board of Education and Mr Markus Sovala from the Finnish Ministry of Trade and Industry for their contribution to this article.



The mini-company "R@", set up by students in an upper secondary school in a small village in Estonia, produced a computer mouse covered with fabric that achieved significant market success.

In small villages in southern Estonia, the unemployment rate is high and entrepreneurial spirit is not common. However, the students from the "R@" group say that they have learned to think in new ways, and now see entrepreneurship as an important option in their lives.



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students' awareness of the employment possibilities that lie ahead. Most curricula include subjects that are sufficiently broad (such as geography or social studies) to allow for some learning about entrepreneurship. However the concrete implementation of these activities depends very much on the good will and motivation of schools and teachers.

Ireland has gone a stage further with its Transition Year, Leaving Certificate Vocational Programme and Leaving Certificate Applied which enable students to gain work experience first-hand. Germany's Vocational Training System, which combines work in schools and businesses help students to acquire management skills and develop entrepreneurial attitudes.

Student mini-companies, an introduction to the business world

Mini-companies that develop a real economic activity or simulate the workings of an actual firm

are one of the most successful and practical ways of introducing teenagers to the world of business. They can be adapted to different types of education and are officially part of the curriculum in Ireland, Latvia, Austria and Norway and actively promoted in Belgium and Finland.

Over 200,000 students and some 15% of secondary schools in the EU and Norway participate in the programme every year. The figure is impressive, but still has great potential for growth, particularly if more public support is invested in the many projects.

Successful mini-companies can be the catalyst for many developments. They encourage strong links between schools and business and the local community, and can provide the stimulation that may be lacking in more formal classrooms.


The companies are operated until the end of the school year and exist in a controlled pedagogical environment, but this does not prevent students

from producing and selling real products and services if they wish. Recent innovations have ranged from a multipurpose tool for changing studs in horseshoes to entertainment services for the elderly.

Apart from being fun, the exercise exposes students to business practices, procedures and techniques. It helps them to develop their self-confidence, learn how to work in a team, become more willing to take responsibility and use their initiative. Particularly encouraging is the fact that roughly one in five participants goes on to create their own company after leaving school.

Investing in the future

The Commission will continue to support Member States' activities in this area and will help to spread examples of good practice and to raise the profile of entrepreneurship. From 2007, the new Community Integrated Programme on Lifelong Learning will come into force and will support innovative projects with a European dimension. The Social Fund will also continue to help finance various initiatives.

Europe needs more entrepreneurs willing to innovate and set up their own businesses if it is to sustain economic growth and a high level of public services. Providing students with some basic skills can help achieve this, while alerting them to the wide-ranging opportunities that lie ahead. However, entrepreneurship studies are not simply an exercise in creating a new generation of business people. They can also help make students more creative and self-confident, ready to cope with today's fast-changing world. 

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Back row standing from left to right: Mr. Bozdo Eno, deputy minister for Economic Affairs, Albania; Mr Orhan Niksic, representative of UNMIK EU Pillar in Kosovo; Mr Sasha Sindiloshki, Charter officer, former Yugoslav Republic of Macedonia; Mr Ivica Miodrag, Charter coordinator, Bosnia and Herzegovina; Mr Antonio Fanelli, OECD; Mr Francesco Panzica, European Training Foundation; Mrs Aleksandra Djordjevic, Charter officer, Republic of Serbia; Mr Edward Tersmette, European Commission; Mrs Tatjana Kesic-Sapic, State Secretary, Croatia; Mrs Svetlana Bozinovic, Croatian Embassy in Serbia; Mrs Snjezana Pavlovksi, adviser to the Minister for Economic Affairs, Croatia; Mr Petar Pavlovic, deputy minister for Economic Affairs, Republic of Serbia. Front row, sitting: Mr Zarko Djuranovic, Head of EICC, Montenegro; Mr Gavril Lasku, Head of SME Agency, Albania.

GLOBAL MARKETPLACE

A new impetus in the Western Balkans for the European Charter for Small Enterprises

The European Charter for Small Enterprises has acted as a catalyst for economic reform and promotion of entrepreneurship in the Western Balkans since 2003. As this first phase draws to a close, the countries themselves are united in wanting to see the process continued for a further three years. The European Commission is supporting their request and EU foreign ministers are about to give their formal approval for the extension.

⇒ Political and economic cooperation between the European Union and Western Balkans have never been as strong as they are now. The basis for this rapidly maturing bilateral partnership was the Thessaloniki summit in June 2003 which confirmed that the future of the countries in the region was firmly anchored in a European perspective.

Tangible proof of this came when the participants at the high-level meeting – Albania, Bosnia and Herzegovina,

Croatia, the former Yugoslav Republic of Macedonia, Serbia and Montenegro including Kosovo, signed up to the European Charter for Small Enterprises.

The Charter sets out ten areas, ranging from better legislation to faster start-ups, that governments can work on to create a business-friendly environment for small and medium-sized enterprises (SMEs). The process, which Moldova joined in 2004, has acted as a road map for the economies of the area. It brings participants together on an

equal basis, helping to nurture a regional identity and to solidify economic links, independent of any political developments that might be taking place.

Further proof of the increasing importance the Union attaches to the Western Balkans came at the end of January when the Commission published a wide-ranging policy document, 'The Western Balkans on the road to the EU: consolidating stability and raising prosperity'.

This was followed in mid-February by Commission President, José Manuel Barroso's first visit to the Western Balkans. Accompanied by Olli Rehn, the Enlargement Commissioner, he urged the countries to step up their reform efforts to speed their progress towards European integration.

Belgrade Declaration delivers a clear message

When it became clear in 2005 that the three-year period would soon be coming to an end, the Western Balkans sent out a clear message that they valued the process highly and wanted it to continue. In their Belgrade Declaration, issued on 26 October 2005 on their own initiative, they described the Charter as "the catalyst" through which they all worked closely together "in order to harness the full potential of our small and medium-sized enterprises".

In a clear sign that all the participants see the benefits of the Charter process spreading beyond the confines of SME policy, they pledged to "remain committed to continuing and reinforcing this partnership approach with the common aim of achieving greater economic dynamism and growth, resulting in more employment and prosperity for all our peoples".

Looking further ahead, the declaration stated that the Charter was "an important vehicle for achieving true international competitiveness for each of our economies and as a stepping stone to full EU membership".

The Belgrade Declaration has transformed a top-down Commission initiative to a process with greater regional ownership and visibility.

One of the Charter's distinctive features is that it brings together between 40 and 80 SME policy stakeholders together in annual bilateral meetings in each of the participating countries and entities (Montenegro and Kosovo). These are rare occasions for government ministers, national and international civil servants, chambers of commerce, financial institutions, business agencies and independent experts to exchange ideas and practices, and provide comments on the annual national reports.

These 'hearings' introduce a culture of dialogue and transparency in SME policy making which was largely absent before the Charter. Moreover, in regional meetings, organised twice a year, the region comes together to compare notes and plan ahead. The strength of this collective process was demonstrated in 2005 when a regional meeting was held in Kosovo for the first time and was attended by a Serbian delegation.

The Charter's positive impact

The latest Commission report on the implementation of the Charter in Moldova and the Western Balkans gives a clear picture of the impact it is having in the various national economies. Every participant now has an SME strategy, except for Bosnia-Herzegovina which is developing a draft, and all bar Kosovo and Moldova either have or foresee an SME Agency.

More importantly, the Charter has helped to push small businesses up the political agenda as can be seen by the amount of SME-related legislation that has been adopted. In general, the process and the Commission's involvement have helped to create pressure and profile for these policies preventing them from being crowded out by other pressing political and economic priorities.

The fact that the Charter has ten clear guidelines has brought a more systematic approach to policy making, and has established an identifiable and accepted reference framework within which to design and deliver policies.

One of the processes' greatest strengths is the peer pressure it exerts, encouraging countries to close performance gaps with their neighbours and


leading to achievements that would have been most unlikely without its existence. Almost the entire region has now made headway on modernising company registration systems which in three years time have been brought to a level which compares well with good practice in the EU. Albania is lagging behind the others in this area, but has made it a policy priority for 2006.

Montenegro, for instance, is behind the group on the development of sophisticated business support systems such as incubators, clusters and technology parks, but has now put in place a strategy to address this.

In general, the Charter countries and entities fall into three main groups. Croatia and Serbia lead the way in the systematic manner they put strategies in place and develop specific technical support mechanisms. Whilst Croatia is in the unsurprising lead, the advent of Serbia is particularly remarkable where a dedicated reform effort has made the country pull slightly ahead of the former Yugoslav Republic of Macedonia. The middle group of Montenegro, Albania and Moldova has some clear strengths, but also some weaknesses. The third category contains Kosovo, and Bosnia and Herzegovina where progress is slow due to reasons specific to each case.

Prospects for progress

Following on from the Belgrade Declaration and the Commission's January communication, the Austrian EU Presidency organised a substantive discussion on the Western Balkans in which European foreign ministers held informal discussions in Salzburg on 10-11 March. This was followed by a formal approval of the Charter's prolongation.

The Commission will also seek to enhance the Charter process. By bringing in the OECD as a partner organisation, which has led a similar SME process in the region, the Charter will become the sole policy process on SMEs. The European Training Foundation has also jumped on board to put more flesh on the bones of Charter areas dealing with training and education. Finally, an increased use of indicators, measurement tools and league tables, will allow all involved to raise the stakes of the process and make the results more tangible. 

The Western Balkans on the road to the EU

- *Croatia*: recently opened accession negotiations
- *Former Yugoslav Republic of Macedonia*: granted candidate status
- *Albania*: nearing conclusion of a Stabilisation and Association Agreement (SAA)
- *Serbia and Montenegro*: opened SAA negotiations
- *Bosnia and Herzegovina*: opened SAA negotiations
- *Kosovo, as defined in UN Security Council resolution 1244/99*: begun political process for reaching decision on its future status.

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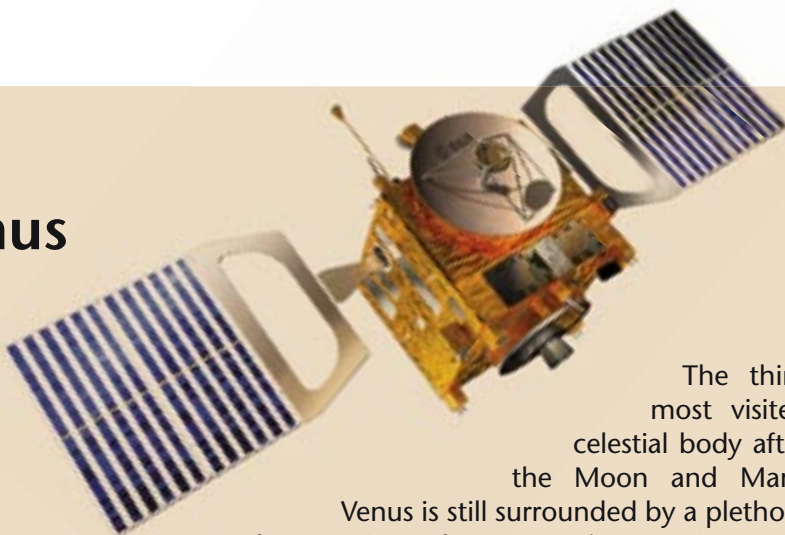
MOREOVER

Europe circling Venus

→ The Venus Express spacecraft is now circling one of the solar system's most intriguing planets, using the fruits of European research and expertise to probe its many secrets.

Launched into space on 9 November 2005 from Kazakhstan, Venus Express reached its destination almost exactly five months later and began its final operational orbit 151 million kilometres from Earth in May. The spacecraft is now travelling round the planet once every 24 hours on an elliptical orbit which drops to 250 kilometres over northern latitudes and rises to 66,000 kilometres at its furthest.

The science phase of this European Space Agency mission, started in early June as the spacecraft communicates its findings to the ESA's Cebreros ground station near Madrid. Observations will continue for 2 Venusian days, nearly 500 Earth days.



The third most visited celestial body after the Moon and Mars, Venus is still surrounded by a plethora of mysteries. The mission's organisers are looking to Venus Express to solve some of these by examining the Venusian atmosphere, which can be as hot as 500 degrees centigrade, its surface characteristics and the interaction of the planetary environment with the solar wind.

The Directorate-General for Enterprise and Industry plays a federating role between the different services of the Commission, the European Space Agency and the European space industry, aiming to facilitate the emergence and roll-out of space technologies and ensure that Europe can be globally competitive in space. ■■■

