



"The voice of crafts and SMEs in Europe"

Innovation must start from the market, not from R&D, SMEs tell Ministers

UEAPME calls for broader definition and removal of barriers to innovation ahead of informal Industry Council

Brussels, 14 July 2010 – A better understanding of how small businesses operate and innovate is a must for the success of the upcoming "EU Innovation Act", according to UEAPME, the European craft and SME employers' organisation. Ahead of the informal Council of European Industry Ministers organised by the Belgian Presidency of the EU and starting today (Wednesday), UEAPME put forward a series of policy recommendations on how to maximise SMEs' innovation potential (1). The organisation called for a broader definition of innovation, which cannot be limited to pure R&D and must start from the needs of the market. It also identified the main problems for SMEs to innovate at the moment, such as the lack of funding opportunities for riskier projects and the difficulties in access to technologies. Moreover, it insisted on the need for better coordination in the existing financial support instruments at EU level and for more coherence in the next generation of programmes, ending with a plea to the Belgian Presidency to close the file and find solutions for a simple and affordable EU patent system.

*"Europe needs a U-turn in its approach to innovation to quickly emerge from the current crisis and to regain competitiveness", said Secretary General **Andrea Benassi**. "At the moment, innovation is narrowly seen as pure R&D, with little or no attention to applied research and to the demands of the market. The time has come for a change of route. Europe should promote market-driven innovation, starting from business ideas and tapping into the potential of its millions of SMEs. The 'EU Innovation Act' is an excellent opportunity to put this change of approach into practice", he continued.*

First of all, the definition of innovation must be broadened, stressed Mr Benassi. Small businesses' innovation is rarely based on breakthrough high-tech inventions and mostly happens at mid-tech, low-tech and non-tech level. This kind of innovation plays a much more important role for economic growth than it is usually recognised. SME innovation includes new and improved products and services, new processes, new markets, new work organisation and management concepts. Therefore, UEAPME called for an all-encompassing definition of innovation in the upcoming "EU Innovation Act".

Secondly, barriers to SME innovation must be removed, starting from access to finance. Most SMEs, especially on the continent, are heavily dependent on debt financing. However, banks are more and more reluctant to finance riskier projects such as start-ups with credits and loans, while the equity market is not developed for the relatively small sums that SMEs need. Moreover, access to existing technologies can be expensive due to high information costs and complicated patent systems, and lack of qualified personnel often holds back SMEs, which cannot afford in-house training schemes.

Against this background, UEAPME stressed that the existing financial support instruments must be streamlined and better coordinated. It also called for the development of new financial instruments such as "mezzanine finance" to ensure funds for innovation activities, especially in the early stages. Moreover, UEAPME recommended a change in the approach of the next generation of innovation support programmes, which should start from the needs of the market and cover all the life cycle of technology, from feasibility studies to commercialisation. Last but not least, UEAPME insisted on the importance of a simple, accessible and affordable European patent system, the absence of which is a key barrier to innovation.

"The Belgian Presidency of the EU has made it clear that innovation is among its top priorities. The informal meeting of Industry Ministers starting today is a testimony to its attention towards small businesses and their needs. We trust that the Council will take our proposals in due account and that it will manage to advance the debate on innovation in the EU, starting from the Community patent, which has been on hold for much longer than we can afford", concluded Mr Benassi.

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(1) Available online at http://www.ueapme.com/IMG/pdf/100713_SME_Innovation_Competitiveness-Council_final.pdf

EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 85 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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