



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE

Broader view on innovation needed for SMEs

Recent studies claiming that European SMEs have not been able to fulfill their innovation potential in Europe are using a too narrow interpretation of the concept of innovation. This understanding has resulted in statistics, which incorrectly show that only a small percentage of SMEs are actually innovating. Europe and its policy-makers in particular need to rethink and widen their concept of innovation and stop limiting it only to the notions of Research & Development and Hi-tech.

Brussels, 12 March 2004 “If the EU wants to become the most competitive knowledge based economy by 2010 with the help of the innovation power of its enterprises, it should start reviewing its innovation policy and the very concept of innovation” said **Hans-Werner Müller** Secretary General of UEAPME, the European Crafts and SMEs association during press conference at the European Business Summit today.

Currently, the EU conceives innovation as a process provided solely by high-technology companies, which devote a considerable amount of their budget to Research & Development. Consequently, the EU’s innovation policy is by and large directed towards those high-technology businesses.

Without denying the vital importance of Research & Development and the Hi-tech sector for the performance of Europe’s economy, one must recognise that more than 97% of economic activities belong to the so-called mid-tech and low-tech sectors. These sectors also contribute to high quality economic growth and employment. Statistical comparisons show that high economic growth is not automatically correlated with a high share of R&D expenditure in GDP. Other factors seem to be equally or even more important than codified knowledge (CK) generation, ie. Hi-tech. Austria is an interesting example in this context: today it’s economy is among the most productive in Europe, its R&D share in GDP having climbed to EU average only recently, and having a comparatively low share of hi-tech products.

Non- hi-tech innovations also play a huge role in bringing Europe further in the Lisbon process. This is an important element as most of the innovation in SMEs, which represent 99% of Europe’s enterprises, is done without explicit R&D. Therefore, UEAPME expects the EU institutions –the European Parliament and the Commission- to support a renewed innovation policy that will focus on R&D and Hi-tech firms but also on:

- **Access to already existing technologies for SMEs:** Many SMEs are blocked in their innovation drive by the limited access to existing technologies due to financial difficulties. Support measures for innovating firms have to be developed.
- **Strengthening the bottom-up approach within the SME specific parts in the FP6 and 7:** UEAPME does not oppose the Integrated Projects and encourages the SMEs willing to

participate in it to do so. However, these projects should be based on a bottom-up approach, based on the actual demands of SMEs themselves. UEAPME therefore requests that during the mid-term review, the Parliament and Council consider the re-allocation of a substantial part of the SME allocated budget from the Priority Thematic Areas to the SME specific programmes.

- **Non-codified knowledge specific qualifications systems:** Patents, licences production manuals and ISO 9000 standards are the basis for the manufacture of codified knowledge (hi-tech) products. In the non-hi-tech (non codified knowledge) generation and the non high tech based production, flexibility is of utmost importance, excessive use of rules and standards may even impede efficiency. This implies different human capital requirements in hi-tech and non-hi-tech industries. In particular a relatively high level of labour pre-qualification seems to be necessary. Life-long learning is important to maintain this level.
- **Developing SME clusters and demand oriented offers for vocational training:** Non-hi-tech knowledge can only be transferred on an interpersonal basis: “Innovation is to know people who know people“. Beyond informal networks, formal networks in terms of clusters, clubs, etc. are of utmost importance. Training centres, business associations etc. are appropriate organisers of formal networks. In many cases they need public support for these activities.

***** End *****

Note to editors: For further information, please contact Ullrich Schroeder and Gerhard Huemer on tel +32 2 230 7599

About UEAPME: UEAPME is the employer's organisation representing the interests, at European level, of crafts, trades and SMEs in the European Union and countries applying for accession to the European Union. Its 75 member organisations, consist of national cross-sectorial federations, European branch federations and other associate members which support the SME family. Across the whole of Europe, UEAPME represents over 10 million enterprises with nearly 50 million employees. UEAPME is an European Social Partner.

Raphael Anspach, Press officer
Tel: +32 2 230 7599/ Fax: +32 2230 7861
Email: pressoffice@ueapme.com
Web: www.ueapme.com/pressroom