

SMEs Engines for Recovery?

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Access to finance, cutting red tape and ensuring that SMEs are paid promptly for their services proved to be the main talking points at the European Business Summit 2010's first session: **SMEs – Engines for Recovery**. The panel for the debate was made up of two entrepreneurs, two representatives of European Institutions and a research scientist, providing an appropriate balance for a discussion of a sector that provides 99% of all of Europe's jobs.

The first member of the panel to speak was Françoise le Bail, who emphasized that her role in the Commission had been a constant fight to remind people of the importance of SMES. She mentioned the Small Business Act as a major achievement, but said that a major challenge over the next few years would be to ensure that it was implemented properly.

HAMPERING ENTREPRENEURSHIP

Hugh Morgan-Williams, who spoke next, acknowledged the progress that had been made in the past few years, but complained about a number of issues which were hampering entrepreneurship such as access to finance and differing procurement standards. Mr. Morgan-Williams also stressed the importance of providing adequate protection for Intellectual Property (IP). Not only was the cost of obtaining patents separately in every EU country prohibitively high for many SMEs, but the lack of EU-wide protection for patents also prevented SMEs from using their IP portfolios as collateral for financing.

Christian Mandl echoed many of the criticisms that Hugh Morgan-Williams had brought up. He focused more however on the issue of access to finance and the difficulty that SMEs faced in floating on the stock market. He emphasised that due diligence was important, but said the cost of registering on the stock market shut a lot of SMEs out of this potentially beneficial way of raising much needed capital.

PUBLIC-SECTOR INVOLVEMENT

Richard Pelly argued that in a slump it was necessary for the public sector to step in and provide much needed capital. The amount of venture capital in the economy had crashed from €17 billion a year in 2006 to €4bn in 2009, creating a need for public sector institutions, such as the European Investment Fund to step in. He also stated that institutions such as the EIF could share risk with banks that were reluctant to lend in the economic downturn.

Tuomo Tuikka took a slightly different approach by emphasizing the importance of innovation in generating growth in Europe. He spoke about his work in supporting future technologies, such as smart chips that allow people to pay for tickets on public transport and make small payments in shops via their phones. He expressed the hope that venture capital could be included in the innovation process and innovation in Europe better supported.

WIDESPREAD AGREEMENT

In the discussion that followed the members of the panel disagreed on very little. Hugh Morgan-Williams expressed a desire for appropriate financial models to value intellectual property, which Françoise le Bail said was already very developed in the US and which the creation of an EU-wide patent should facilitate. Richard Pelly and Tuomo Tuikka both asked for creativity in the way that SMEs are approached – in Mr. Pelly's case, creativity for financing of SMEs was paramount while for Mr. Tuikka's creatively connecting business intelligence to technological innovation was key. Christian Mandl, on the other hand, made the point that European welfare states support employees but not entrepreneurs and asked governments to extend the safety net (via mechanisms such as unemployment insurance or assistance) to entrepreneurs as well as employees.

The European Commission, it was agreed, had generally taken the right approach in the last few years. Getting member states to implement the Commission's recommendations, as members of the panel reminded the audience, might well be a harder task than many entrepreneurs hope.

Moderator: Christophe Leclercq

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Speakers:

Françoise le Bail

Deputy Director General, DG Enterprise, European Commission

Christian Mandl

Chairman, Maporama Solutions

Hugh Morgan-Williams

Business Europe Chairman, SME Committee

Richard Pelly

Chief Executive, European Investment Fund

Tuomo Tuikka

Senior Research Scientist, VTT Technical Research Centre of Finland