

Helping Promote Government Opportunities to SMEs

1) SMEs - Importance to the Vitality of the EU

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We are all aware of how rapidly the economy is changing the world in which we live. Attitudes and motivation, economic processes and structures, public perceptions and policy orientations are all constantly being redefined. This poses certain challenges to those of us who have to respond with new policy measures and practical assistance to Small Medium Sized SMEs. It cannot be any less challenging for entrepreneurs themselves, and for those who work in smaller enterprises.

The new entrepreneurs, like their counterparts in the past, still have to identify the basic business idea, which often requires a particular technical knowledge and expertise. They have to undertake market research and develop a marketing plan. They have to secure financing, organise production and delivery. They may have to engage staff and train them. They will certainly have to deal with a series of requirements from the public authorities, ranging from permits to taxation and statistical returns. However, the new entrepreneurs also have new tasks or at least new dimensions to their longstanding tasks. Attention to these is particularly important if a successful launch is to be turned into a viable business, let alone a stable one enjoying consistent growth.

Entrepreneurs must take account of the global scope of their market, develop a sensitivity to consumer requirements and realise that the danger of rapid obsolescence of products puts more emphasis than ever on the need for research and development.

In addition, corporate social responsibility issues have, quite rightly and logically, become part of the picture and have to be addressed as well. In today's world, image and perception issues have increasingly become part of the equation to the point where sometimes one has the impression that they almost matter more than the end product of a specific business.

Entrepreneurs are also told that they must network, exploit clusters and enter into sometimes complex relationships with larger enterprises, other suppliers, and organisations that can support product development. Internally, they must establish and continue to comply with rigorous quality standards and ensure that their employees are engaged, productive and flexible. Above all, they must keep the overall competitiveness of their operations under constant review.

The European Commission has been listening to the business community and faced such challenges by resorting to a number of means. One is the so-called open method of coordination: a new approach adopted to help Member States improve their performance by means of benchmarking and the exchange of good practices.

Traditional horizontal policies aimed at creating favourable framework conditions for businesses still have a role to play, but the new open method of coordination and its instruments allows for an easier identification of weakness, thus allowing for an easier identification of where action is necessary. A number of targeted EU projects, following a 'Best project' approach, in areas such as the administration of start-ups, bankruptcy and a fresh start, have enabled us to identify strengths and weaknesses in EU Member States and to encourage Member States to improve their performance through peer pressure. Other projects are still under development under our auspices in areas such as education for entrepreneurship and business transfer etc.

We believe that they will all make a strong contribution to addressing some of the various shortcomings still marring SMEs.

The EU Single Market

The EU Single Market has brought SMEs both obligations and opportunities. The free movement of goods is one of the cornerstones of the Single Market.

There are still barriers that SMEs have difficulty in overcoming. The frequently mentioned geographical heterogeneity of the EU, together with its marked linguistic and cultural diversity, are particularly relevant issues when we compare ourselves to the US and Japan who certainly do not face the latter internally. Only in theory can SMEs exploit a market of 380 million customers; in practice, due to the difficulties involved in entering markets in other EU countries, SMEs depend by and large on their domestic markets only.

Problems and Solutions

This situation poses a challenge for providers of business services in Europe, both private and public. The European business services sector is still smaller than its counterpart in the economy of the United States. There is scope for a lot of development. The increased provision of such services is a critical question for the development of the economy of Europe. Therefore, I cannot over-emphasise the fact that a range of new business services is indispensable nowadays.

We do hear more often of the need for bringing the general quality of service provision up to the level of the best. We also hear of the need for rapid developments to match the changes being introduced by enterprises in the exploitation of Information and Communication Technologies (ICT), and in new approaches to conducting business.

We need to continue to bring all this work together, identify the recurrent themes and the outstanding good practice and bring attention to these results among a much broader range of people and organisations involved in business support.

That may also be the significance of this particular Congress. Here we need to complete the picture of how support services can react to the new demands on SMEs and on their managers. And we need to see how this can be done in such a way as to respond to the calls concerning coherence and quality.

The Response of Business Support Schemes to the New Demands

The globalisation of markets has meant rethinking some of the traditional distinctions between assistance with exports and support in domestic markets. Consequently rethinking the concept and characteristics of support services has been found wanting.

In this particular Congress here in Amsterdam, where the complexity and inter-relatedness of the tasks facing modern entrepreneurs will be obvious, two specific questions can be asked:

- Can support schemes offer services to SMEs that help them to develop a strategic view of what it means to remain competitive in the new economy?
- Can support schemes themselves be conceived with a strategic view in relation to services, both in terms of the nature of the service and of the means to deliver it?

These are themes that will certainly be amplified further during the Congress. Looking at schemes to assist enterprises to benchmark their performance and to help enterprises understand the supply chain relationships in their regional and cross-border economies, and to exploit the opportunities which are presented by such relationships, is clearly going to put some flesh on the bones.

The European Commission Role

Information

Regarding the various roles played by the European Commission I would like to start off by emphasising the importance of information. An information handicap is the reason why SMEs sometimes do not capitalise on the solutions and means already available to help solve their problems.

The One Stop Internet Shop for Business (OSIS), made available online by the Commission, provides information for those wishing to know more about the business framework and opportunities in the Single Market as well as its rules. The need for such information and advice was confirmed, for example, by

opinion surveys of companies (Flash Eurobarometer) which identified the absence of information on Single Market rules as a significant obstacle to cross-border activity.

This One Stop Shop currently covers technical standards, EU funding opportunities, intellectual property rights and public procurement; it is available in the eleven languages of the European Union (EU).

The Internet Shop offers direct access to over 230 Euro Info Centres. It also gives free, direct access to public procurement tender notices and to Contact Points for Citizens and Business in Member States' administrations for resolving Single Market problems.

More general practical services available from the site include business news, information about trade shows, a business directory with more than 500,000 companies and a free translation service. The site can also be used to find out about EU policies that affect business, and it features a search engine in the 11 EU languages.

However, such means and tools are not a panacea for all ailments affecting SMEs. Fundamental reforms also need to be pursued at various levels.

Internal Market Strategy Review highlights need to deliver key reforms

The Regulatory Framework

From a regulatory standpoint I would like to mention the Simpler Legislation for the Internal Market initiative which aims at simplifying the regulatory framework. A number of concrete projects have been implemented. But more needs to be done.

The European Commission recently adopted the 'Better Regulation' Package. By means of a three-step approach that includes Impact assessment, consultation and a choice of the most appropriate instrument, every proposal has to go through a careful scrutiny before decision. This is particularly important for SMEs who can be disproportionately affected by unnecessary regulatory burdens.

On past achievements there is of course the single currency - the Euro - which from the business world perspective is already a big success story, not only for those in the Euro zone but certainly also for non-EU partners.

For the future there are still some issues which the EU will resolve. These include further liberalisation of energy and transport utilities for the benefit of both consumers and business, improving competition and merger rules at a European level, and improving enforcement cooperation between national public authorities responsible for protecting consumers' economic interests.

And another important issue is the enlargement process. Candidate countries are eager to reap the advantages of full EU membership and the Internal Market will be one of the major assets that such membership will bring to them. Thus, we have an obligation to ensure a level playing field for all EU Members.

Our general analysis shows that an enlarged EU offers industry opportunities for competitive reorganisation, thereby strengthening Europe's position on the global market.

Administrative procedures for establishing a new business

Administrative delays in establishing a new business could be damaging to the successful introduction of new products or services. In this context, attention has been drawn to the long delays and complicated requirements in many Member States.

In January 2002, the Commission published a report on benchmarking the administration of business start-ups in the Member States. The report provides data on the time involved in setting up a new business, the

related costs and the minimum paid-up share capital that is required. It also identifies examples of best practice in the Member States.

Many Member States have recently improved the administrative efficiency of current procedures by introducing 'Single Access Points' and statutory response times. Generally, the scale and complexity of the documents required to establish new businesses have been reduced.

But two main issues remain: there are inefficiencies in the registration process in a number of Member States, and time and capital requirements remain complex barriers to registration in a number of cases. One further major issue is the time required to start up a new business; it is substantially greater than the time to 'register' the business, due, among other things, to the time needed to check sectoral qualifications and to obtain sectoral, activity, and employment licences. In other words, bureaucracy still stifles SMEs.

Entrepreneurship

An element that may certainly influence the prospects of SMEs is the diversity of entrepreneurial spirit in the EU. The forthcoming Green Paper on entrepreneurship will address this.

The Green Paper will trigger two questions: Why do so few people in Europe want to become entrepreneurs? And why do so few small companies want to grow?

The analysis includes attitudes, access to financing, company growth factors etc. In order to have a real impact, an integrated approach should be pursued, addressing all the aspects likely to have a bearing on entrepreneurship. Here, too, the exchange of best practice on elements considered relevant for the issue may contribute to showing Member States where action is most needed.

For all this to make sense and succeed, obtaining comparative data and implementing a correct follow-up plan is of great importance. The result of projects on the administrative environment of enterprises in the start-up phase, obstacles to growth, transfer of businesses and training for entrepreneurship will all have to be integrated in the framework of the Green Paper's follow-up activities.

Measures to promote a culture of entrepreneurship

Beyond the structural measures aimed at developing e.g. a regulatory and fiscal environment favourable to creating and sustaining new businesses, the need to promote a culture of entrepreneurship in Europe has been highlighted in various fora. Over the last few years, most Member States have developed programmes of promotion of entrepreneurship and innovation within educational and training systems, as well as through conferences, the diffusion of information, the work of governmental agencies etc. In Germany, Spain, Ireland, the Netherlands and the United Kingdom, schoolchildren are being introduced to the concepts of business and entrepreneurship. Several Member States have also developed business training among teachers. And specific programmes are being developed at university level.

All Member States have also developed training and counselling for young entrepreneurs while several have set up schemes providing administrative support or infrastructure facilities. Finally, most Member States have put in place financial schemes designed to support specific target groups: businesswomen (Germany), start-ups (Germany), technology-based projects (Spain), unemployed people (France), young people (France).

In Italy, it is now possible to start a corporation by underwriting an insurance policy institution of the provision of financial capital and the capital requirements for asset managing firms controlled by universities and research institutes have been reduced.

Conclusion

We have before us a complex scenario where very many issues need to be tackled individually but, perhaps more importantly, in an integrated manner as well.

The efforts of all parties with a stake in SMEs' concerns - from public authorities, including the European Commission, to support organisations, the financial world, academia and the business world at large - need to be 'synergised' for the best possible effect. With them, the prospects for SMEs will be improved. Given the range of initiatives under way and the number of stakeholders involved, a lot is to be expected in terms of improving prospects for SMEs. We cannot afford otherwise.

Mr Erkki Liikanen, Member of the European Commission responsible for Enterprise and the Information Society: 'SMEs, Internal Market, Entrepreneurs and their importance to the vitality of the EU' (Small Business, Big Markets, One World 29th International Small Business Congress Amsterdam, 28 October 2002).

2) Improving Competition in the Government Marketplace

The Office of Government Commerce (OGC) is to increase efforts to widen access to the government marketplace for new entrants.

The Government wants to see competitive markets operating throughout the economy, and especially in areas where government itself is a major purchaser.

The Government recognises that it needs to have new suppliers of all sizes entering the government marketplace because strong competition is one of the most important ways to achieve value for money, both now and in the longer term.

The new initiative will build on recent work carried out by OGC in partnership with the Small Business Service (SBS) to open up the government marketplace to suppliers - with an emphasis on SMEs.

This includes:

- The publication of *Smaller Supplier - Better Value?* urging public sector buyers to consider the benefits of dealing with SMEs, the barriers they face and ideas for how to reduce them. An accompanying video has just been launched.

- Government guidance on financial assessment of suppliers, which encourages greater flexibility, and allows small and new companies a chance at competing for relevant contracts.

- A Code of Practice for government buyers and suppliers emphasising the importance of fairness, honesty, efficiency and professionalism throughout the supply chain.

- Guidance for SMEs on selling to government, which is currently being updated, transferred to a new website, and made relevant to suppliers of all sizes.

This announcement also follows a report, published recently by the Competition Commission, which makes recommendations aimed at improving competition for major government contracts. This new initiative will expand the scope of the work already undertaken to respond to these recommendations, and to address barriers to competition in the wider marketplace.

In particular the OGC will:

- Work with the SBS and government departments to improve the information available to suppliers on selling to government, including information about forthcoming opportunities.

- Investigate ways of reducing the costs associated with bidding for government business.

An update will be presented to Ministers in the summer.

Established in April 2000, the OGC was set up to act as a catalyst in procurement issues and to work with civil departments to achieve best value for money in their commercial activities.

Responsible for civil central government procurement policy and best practice including Construction, Property Management, IT, the Private Finance Initiative (PFI), supplier relations including opening government contracts to SMEs, e-commerce including the Government Procurement Card, the Gateway Review Process, OGCbuying.solutions, including the Government buying catalogues, G-Cat and S-Cat and developing strategic procurement partnerships with the private sector.

Hard copies of the publications described above are available from the OGC Servicedesk on 0845 000 4 999, and can also be viewed online at www.ogc.gov.uk.

These include:

- Smaller Supplier - Better Value? booklet and video
- Supplier Financial Assessment Guidance
- Tendering for Government Contracts
- Government Procurement Code of Good Practice

The report of the Competition Commission's Investigation can be viewed online at www.competition-commission.org.uk, ref Cm 5624 (2002).

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