



Union of Industrial and Employers' Confederations of Europe  
Union des Confédérations de l'Industrie et des Employeurs d'Europe

## Conference on Entrepreneurship

### Speech by Kimmo Sasi Minister of Foreign Trade of Finland

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#### **SMEs, Growth and European Enterprises**

Mr Chairman, Ladies and Gentlemen, Mesdames, Messieurs,

I would like to begin by extending my congratulations to the organisers for their choice of topic for this conference – **Entrepreneurship** -

On future, the future of Europe and its citizens depends on **this** driving force. For the European Union and the nations in it, a strong spirit of entrepreneurship is a question of vital importance. Without it - all our laws, policies, plans and hopes will amount to nothing. Without entrepreneurship we will not have the economic growth we need to sustain our way of life. Our schools, hospitals, and opera houses all depend on the same thing. Economic growth and our ability to compete, and that ability depends first and foremost on the entrepreneurship of the European citizen.

As I look at this very illustrative benchmarking report the European score really is not very flattering. We have not been doing very well during the past decade. This is probably nothing new to any of us. Many of these unfortunate facts have been known for some time already. Entrepreneurship has been discussed in both European for a and in antional governments for some time. We constantly remind each other of the difficulties of the SMEs, the need for better regulation and for better access to capital. We know that fostering entrepreneurship is the way to deal with unemployment, and we know that in order to pay for the care of our old age we need the wealth created by the entrepreneurship of future generations. Also in Finland entrepreneurship – or more to the point – the lack of entrepreneurship has been discussed ans studied with great attention during the last years.

As your report suggests in one quote: societies either foster and encourage entrepreneurship – or they hinder and suffocate it. We may think that we have done quite a bit already but in comparison with our main competitors it does not appear to be enough. Entrepreneurship is still widely perceived as a difficult and uncertain way of life. To be an entrepreneur is not very popular.

Certain alarming tendencies have been brought to light: in a country such as Finland where education is revered and the level of education is high, higher education does **not** appear to encourage entrepreneurship. In a survey of graduates of Harward business school the overwhelming majority declared that they were going to create a business of their own. Not so in Finland. The majority of business school graduates dream of a job in a well-established firm, Nokia by preference... This is probably not only a particularly Finnish problem.

The attitudes of European citizens are of great importance. Not enough of the best and the brightest of Europe want to be entrepreneurs – they prefer the security and prestige of large establishments. They rather dream of becoming eurocrats and mid-level salaried men than self-made millionaires. Entrepreneurship is not attractive; it is apparently neither "cool" nor "in" to be a successful entrepreneur.

This attitude is probably due to a lack of successful role models. Not enough Europeans know anyone who has succeeded through enterprise. That again is due to the fact that entrepreneurship has been made too difficult. The media often tends to concentrate on large bankruptcies and scandals rather than success stories. In order to change attitudes and invigorate the spirit of entrepreneurship we have to make it less difficult to succeed. We cannot change attitudes overnight but we can, and have to act as the midwives in the re-birth of the spirit of European entrepreneurship.

One other reason to the relative lack of entrepreneurship in Europe is certainly also the very strong protection and social security of employed labour especially in comparison with the social security of entrepreneurs. When we add high income taxations, the risk premium for entrepreneurship is too low in Europe.

As in many other cases the change starts at home. The responsibility lies heavily on national governments. I shall return to the national sphere shortly with some examples from Finland? Before that, a few observations on the work done at the European level.

As I currently prepare for my first chairmanship of the Internal Market Council, I feel a responsibility to remind you of the role of the internal market for the growth of European enterprises. If we are to foster enterprises fit for global competition our internal market has to be the starting point. The better it works the more likely is the growth and global success of the European entrepreneur. In order for this market to work, we need to continue pulling down barriers. It is still too difficult to sell many products on this internal market; it is still too difficult to provide services across borders, which should not longer exist. We constantly have to re-think the internal market to make sure it continues to work. This re-thinking is done in many ways. Currently the commission is finalising a long-term strategy for the Single Market. This strategy includes a continuous process of yearly self-evaluation through which remaining barriers will be identified and dismantled.

An important part of this evaluation is called the "Cardiff process"; National administrations produce annual reports on product and capital markets which are studied both by the Internal Market Council and Ecofin. These efforts should then be manifested both in the Broad Economic Policy Guidelines and in the continuous work on the Internal Market.

Many of the recommendations in the benchmarking report can also be found in the new Best plan? You also just heard Commissioner Liikanen explain what was going on at his end of the field? It is with great anticipation that we welcome the new Commission and especially Commissioner Liikanen and his new unit? We are eagerly awaiting the new "Multiannual Programme for Enterprise and Entrepreneurship" I hope that the Commission can produce it as soon as possible.

The work done on the European level with the programmes for entrepreneurship and single market legislation forms an important base for national work. Member States have to carry out plans and policies and they have to continue implementing single market directives. It is with great pleasure I have noted Commissioner Bolkestein's stern approach on transposition of directives. Unless our entrepreneurs gain access to an internal market we cannot expect them to be ready for global competition.

But beyond these European initiatives every Member State has the primary responsibility to take care of its potential entrepreneurs. And I am happy to say that many of the recommendations in the benchmarking report read as if they were taken out of the programme of the Finnish government

drawn up last spring. Finland has during several years invested heavily in Research and Development. This is finally bearing some fruit and there is more to come. Modesty is a very Finnish virtue but I do think we have done quite well. To our great surprise, however, we have had to realise that good products do not sell themselves? It is not enough to have a great invention but you need to sell it as well? It is not enough to have fostered a generation of skilled engineers; we also need the business and marketing skills to match.

We have a very technology oriented enterprise structure and we know that it is the business-oriented approach, which brings in the money. What we need now is to make sure our inventors and engineers get the marketing and business help they need so that they can continue with the R&D? One significant effort to this end is in Finland the establishment of fifteen Employment and Economic Development Centres. Three ministries joined forces. The Ministry of Trade and Industry, the Ministry of Labour and the Ministry of Agriculture combined their regional forces in these centres two years ago. Each centre functions as a one-stop shop where entrepreneurs, businesses and individuals interested in forming their own business get the services they need from one spot. This is easier for the entrepreneur and more effective for the state in the long run.

One interesting example of money well spent is the SPINNO project where scientists with academic carriers were trained to form enterprises. Out of about 1200 trainees over 150 went on to form their own enterprise -You may be aware that the average bankruptcy rate in Europe for new high-tech companies is about 50% in five years – After five years – out of the 150 SPINNO companies – only **one** had gone bankrupt ! The return on investment in schemes such as these has been calculated in the form of tax revenues from the companies started through the scheme. For 1 invested FIM we can receive up to 100 FIM in tax revenues.

We just have to fight the stereotype of an entrepreneur as someone who "did not get a real job". We have to find effective ways to help those who do try. We need to make sure they want to grow, we also have to make sure that they know how to grow. We have to show that Europeans can, and should, "Think Big".

Ladies and gentlemen,

I want to leave the floor to the next speaker with this thought: we should not think of SMEs as something separate and apart from "big business". Entrepreneurship as a concept is not divided into a large variety and a small variety. Large and small enterprises are not necessarily in conflict. They basically need the same things: people with an entrepreneurial spirit. Working in synergy, they create some of our greatest global success stories.

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