

Innovation & Technology Transfer

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Special edition

Innovation, Creation of New Businesses and Jobs

Proposals for Actions



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"Mobilising our forces to support innovation and the creation of businesses requires a direct and constant involvement of the people directly involved." -

Edith Cresson, European Commissioner for Research, Innovation, Education, Training and Youth

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The First European Forum for Innovative Companies, held in Vienna on 12-13 November 1998, largely ratified the proposals to emerge from the dialogue on innovation and the creation of businesses, which the European Commission initiated in December 1997.

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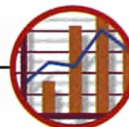
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From Consultation to Action



Innovative companies are one of the keys to growth and employment for Europe. These companies invest in research. They design or use innovative products and processes. They listen to market needs. They create added value and highly qualified jobs. They are likely to be among the winners on the world economic stage. We need a lot of them to flourish and spread out and so we must cut down the obstacles that too often prevent their creation and growth in Europe.

I acknowledged this issue as soon as I arrived at the European Commission in Brussels in 1995, with the Green Paper on Innovation, and the Commission translated it into action through the first Action Plan for Innovation.

However, mobilising our forces to support innovation and the creation of businesses requires a direct and constant involvement of the people directly involved. We must create a strong and efficient link between public institutions and the actors in the field in order to provide relevant solutions in a world where the nature of those problems changes rapidly.

This is why, in accordance with the Action Plan, I launched in Paris in December 1997 a process of continuous dialogue, marked in particular by the establishment of working groups and an international conference in Luxembourg last May. This process has involved more than 400 decision-makers from the worlds of business, finance, research, public authorities and support organisations. Several types of difficulties and possible solutions to them have been identified, in the fields of access to competences, access to financing and access to markets.

This special edition of *Innovation & Technology Transfer* summarises the proposals to emerge from the dialogue. It also describes examples of 'good practice' which could be adopted.

In Vienna, at the European Forum of Innovative Companies organised by the Commission, together with the Austrian presidency, on 12-13 November, these proposals were scrutinised, mainly by entrepreneurs. Priorities were identified, and the most appropriate level (Community, national, regional) for further action determined. A summary of the outcome of the Vienna Forum is also included in this special edition.

I shall present the main conclusions of this consultation to my colleagues as well as to the representatives of the Member States by the end of this year. I will ensure furthermore that actions which are the most urgent to launch at Community level, and which depend on the services placed under my authority, are integrated as soon as possible in proposals for concrete actions in the corresponding programmes.

This collective exercise should translate into tangible results so that European entrepreneurs and innovators can develop their projects without hindrance and thereby contribute to well-being, growth and employment.

Edith Cresson

Member of the Commission for Research, Innovation,
Education, Training and Youth



St Peter's Church,
Vienna

Conclusions of

The First European Forum for Innovative Companies, organised jointly by the European Commission and the Austrian Presidency, was held in Vienna on 12-13 November 1998. It was opened by Mme Cresson, Member of the Commission, and Mr Farnleitner, Austrian Minister of Economic Affairs, Of the 300 participants, about half were entrepreneurs.

The Forum was the outcome of a wide consultation process launched by Mme Cresson in Paris in December 1997. Three working groups were set up following this initiative, chaired by Mme Avice, Mme Mazzonis and Mr Bradstock⁽¹⁾. They studied the three phases in the development of enterprises: gestation, start-up, and growth. Their proposals were presented and debated at a first conference held in Luxembourg last May. They were largely ratified by the participants at the Vienna Forum.

One of the proposals, for the setting-up of a European federation bringing together a number of national associations of high technology SMEs, has already taken shape. Articles of agreement setting up this federation were signed during the Forum.

The debates which took place alongside the plenary sessions revolved round three topics: access to competences, access to financing, and access to markets. They made it possible to identify a number of points of consensus, as well as some precise recommendations, which were included in the conclusions drawn up by Mr Verrue, Director-General of the European Commission's DG XIII⁽²⁾ and Mr Kögerler, Head of Department in the Austrian Ministry of Economic Affairs.

Consensus

There was consensus on:

- the innovation inventory in Europe, the method to be followed and the measures to be taken for the European Union to rediscover the virtuous circle of economic growth which the United States has been experiencing for several years;
- alongside and in addition to research policy, the need to define and implement poli-

cies for innovation in Member States and at the Community level;

- innovation as an important factor in social progress and in the evolution of methods of work organisation;
- as well as on the following instruments and priorities for action:
- the place to be allotted to the identification, calibration and dissemination of good practices at the Community level, as well as the testing and promotion of new approaches, by means of pilot actions;
 - the support to be granted to the creation and development of innovating enterprises as one of the major themes of innovation policy, because of the contribution of these enterprises to economic growth and employment.

Main Conclusions

Among the conclusions of the Forum, were, in particular:

- In the first place, innovation is a matter for businesses, but their effectiveness depends on the economic, legal and regulatory environment. Two concrete measures were proposed to improve this environment:
 - the adoption, at the national level, of fiscal measures favourable to 'stock options' in order to facilitate the engagement of high-level research workers and managers by young, technological enterprises,
 - the establishment, at European level, of mechanisms facilitating transfer of pension rights in order to encourage the mobility of researchers.
- The system for the protection of knowledge, in particular the patent system, must be improved. It is no longer possible to postpone a reexamination of the system,

(1) Mme E. Avice (Financière de Brienne, France), Mme D. Mazzonis (ERVET, Italy), Mr P. Bradstock (Oxford Innovation, UK)

(2) Directorate-General Telecommunications, Information Market and Exploitation of Research

the Vienna Forum

and proposals will have to be made quickly at European level.

- The systems for protecting intellectual and industrial knowledge are not sufficiently utilised and efforts have to be made by the Community and the Member States to increase awareness-raising and training of entrepreneurs and research workers in the Union. Specific measures, of the 'small entity fees' type, were advocated by the participants for SMEs, academic circles and individual inventors.
- The educational and cultural dimension is essential. Creativity, the spirit of enterprise, and the taste for risk-taking must be stimulated, and entrepreneurial training must be developed, using 'success stories' as examples. In particular, the setting up of a 'virtual college of entrepreneurship' on the Internet was suggested.
- Universities and research centres must equip themselves with effective structures for technology transfer, and the rules governing the statutes of researchers must evolve so as to facilitate transfers between research and industry (including by spin-offs).
- The key role of information was stressed by the participants and two types of measures were proposed: on the one hand, to allow SMEs to have access to economic intelligence information and data on technologies developed by public laboratories, and on the other, to ensure the confidentiality of exchanges of information on electronic networks.
- In spite of recent progress, the financing of innovation remains one of the major concerns of entrepreneurs. Instruments for taking action must be adapted to the stage of development of the enterprise: seed capital or networks of business angels at the first stage, venture capital in the second, and stock markets in the development phase. Work still has to be done at these three levels. In particular, the following suggestions were formulated:
 - promote systems of 'mentoring' for entrepreneurs;
 - set up a European register of business angels;
 - develop and facilitate access to networks of expertise, make an inventory of the

methods of analysis and the 'success stories' of European venture capital;

- use a part of the funds managed by the European Regional Development Fund (ERDF) to aid the support structures for the creation and development of enterprises.
- Member States and the Community should allocate a quota of the budgets of their research programmes to small, high-technology businesses and set up appropriate means of management.
- The regional level is the most suitable one for innovation and local support infrastructures must be made available to young companies. Spin-offs from major companies and from universities must also be encouraged.

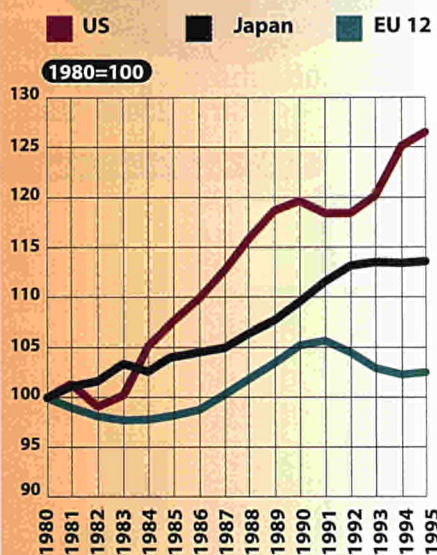
Regional Initiative

In this context, the Community plans to launch an initiative founded on the actions for the creation and development of innovative enterprises set up by regions demonstrating a particular capacity and creativity in this area. This initiative would link, at the local level, the principal actors in the innovation system.

At the European level, its added value would lie, in particular, in the exchanges of information, experience, competences and good practices, and in the highlighting of 'success stories'. The ensemble would constitute a 'European showcase' of innovation, which could have a large impact and knock-on effect for all the regions of the Union. The intention expressed by the persons responsible for several geographic centres of excellence — Oxford, the Lyon-Grenoble axis, Karlsruhe and Modena — to enter into a series of coordinated actions should make it possible to consolidate the preparation of this Community initiative.

The participants considered that the impetus provided by the Forum should be maintained, and that it is important for the Union and the Member States to discuss these conclusions in order to take them into account in their policies and instruments for taking action in support of innovation, at the forefront of which figures, at the Community level, the innovation action plan and the Fifth Research Framework Programme. ■

Employment Trends, 1980-1995



While the economic downturn of the early 1990s affected all developed economies, its impact on employment was particularly acute in Europe.

Second European Report on S&T Indicators, 1997
Data: Eurostat and DG II

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Innovation, Creation of



Summary of the recommendations drawn up by participants in the consultation set up by the European Commission.

As part of its First Action Plan for Innovation in Europe, the European Commission, on Mrs Cresson's initiative, has launched a far-reaching exchange with the Member States and leading players in the field of start-up and growth of new technology based enterprises as well as innovative companies in more traditional sectors.

As a result of a round table held in December 1997 in Paris, three working groups were set up to examine each stage in the development of the firm (gestation and birth, start-up and consolidation, growth), with the objective of:

- identifying what constitutes good practice
- pointing out weaknesses and shortcomings which may exist in the European Union (or in certain of its regions)
- making proposals for possible action, in particular at European level.

These working groups, led by Mr Bradstock (Oxford Trust, UK), Mrs Mazzonis (ERVET, I) and Mrs Avice (Financière de Brienne, F), brought together 150 innovation actors from throughout the European Union. The result of their work was debated at a conference, held in

Luxembourg on 18-19 May 1998, attended by 350 delegates (entrepreneurs, financiers, researchers, academics, etc.) from most Member States.

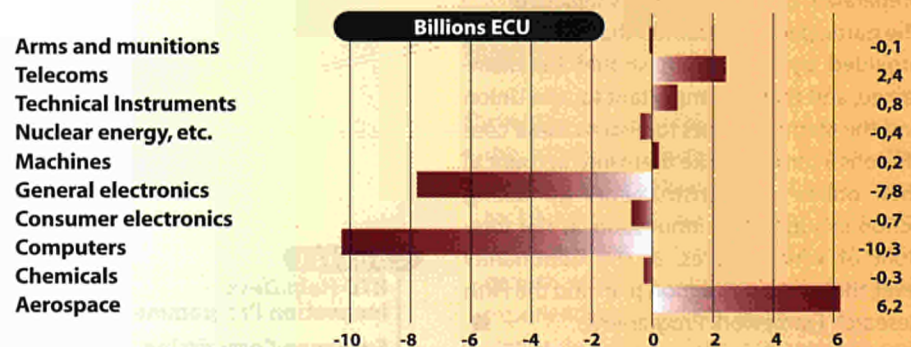
The proposals resulting from this consultation are governed by a number of general principles, regardless of the company's stage of development and valid throughout all Member States. They include the following:

- Cultural differences within the European Union are considerable. Therefore, actions and policies have to be adapted to national circumstances.
- Measures to foster the creation of new businesses should be more ambitious and more imaginative than in the past. They should be designed with a long-term view.
- The European Union should not necessarily intervene directly or create new tools, but make sure that the existing tools are better utilised and that information and services are better developed.
- The local level is crucial for the stimulation of new business start-ups. New policies should aim to foster relationships between universities, R&D centres and firms and create a climate of confidence between the various actors concerned (entrepreneurs, investors and financiers, technologists, political decision-makers, etc.).

Besides these general principles, four main factors have been identified:

- facilitate access to skills and competencies
- improve access to financing
- facilitate access to the market
- improve the environment for innovation.

EU commercial balance by hi-tech products, 1997



The EU imports more high tech products than it exports.

New Businesses and Jobs

I Facilitating Access to Skills and Competencies

Building up internal resources by means of training and by hiring experienced staff

This involves:

- 1 Encouraging **comprehensive training and support schemes** for new firms during their **gestation** or **start-up** (Spinno in Finland, TOP in the Netherlands, etc.).

The Mjärdevi Science Park provides training and skill enhancement for young entrepreneurs, as well as management services and an incubator system to new businesses. It has developed a seed capital fund. It organises cooperation and exchange of experiences between entrepreneurs: meetings, social activities, seminars, forums. It is also developing an international network for companies. The Mjärdevi science park has grown from 6 to 140 companies totalling 3,600 jobs.

- 2 Helping new technology based companies during their **start-up** and **growth** to **recruit and retain high-level staff**, by means of the following:

- 'stock options', making possible a share in the company's success, to attract and retain the highly qualified staff who are needed. Their tax treatment should be as favourable as possible.
- the transnational transfer of **pension rights** should be improved to facilitate mobility within the Union.
- 'multi-salariat' enables the sharing of qualified managers between smaller companies. Social and taxation regulations should be adapted so as to facilitate this development.

- 3 facilitating the **transfer of a project at the gestation stage to experienced entrepreneurs**, while allowing researchers who want to remain in the research world to be suitably rewarded and to retain a share in the company.

Pamot is the operator of the venture capital fund linked to the Weizmann Institute in Israel. It had found that an effective way to start new firms is to give the scientist at the basis of the project a share in the firm, a seat on the board of directors and a percentage of royalties on sales. The scientist is not necessarily directly involved in the running of the company, but is informed of every aspect of the operation and can give advice.

Use of external resources

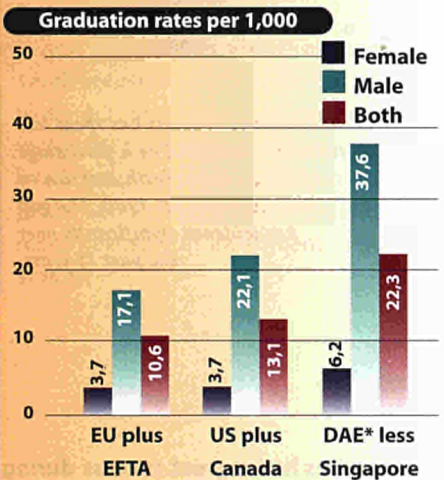
- 1 Flexible access to external business skills is important. Therefore:

- the development of **networks of experts and professional services** (with in-built systems of peer quality control) should be encouraged in Member States.

The Uusimaa region in Finland has set up a system of vouchers partly financed by public authorities, which allows businesses to buy innovation support services from the organisation of their choice.

- public/private partnerships offering 'real services' to the SME (i.e. effective services in terms of marketing, export and technology), based on the model of Emilia Romagna or some Business Innovation Centres, should be developed.
- provide **easy and simultaneous access to funding and expertise** (i.e. combining funding and access to information on the markets or technological expertise).
- develop **mentoring or sponsorship schemes** (including at European level) to support those setting up new businesses; explore the feasibility of a task force of 'economic reservists' modelled on the American example.

Engineering and technology graduation rates, main blocs, 1994



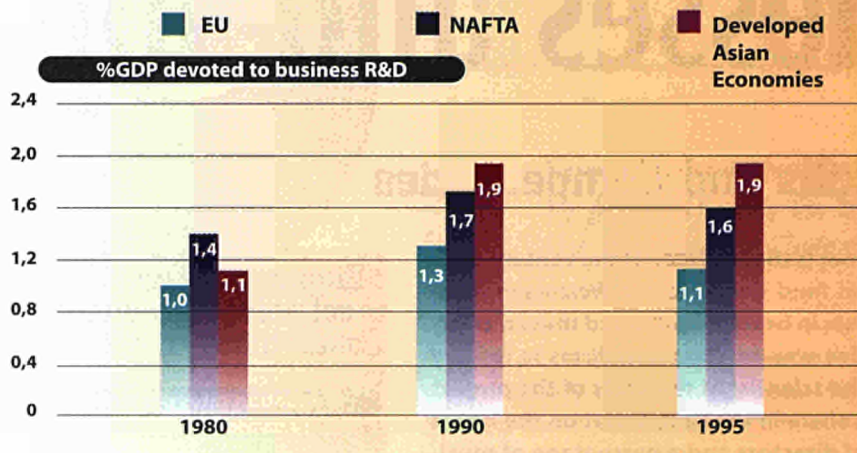
Europe is producing fewer engineering and technology graduates per capita than either North America or Asia. The main source of variation is in the number of men graduating - the male/female divide seems significant the world over.

* Developed Asian Economies

Second European Report on S&T Indicators, 1997
Data: Eurostat/UN



Evolution of R&D expenditure of business enterprise in the three poles of the triad



European business has spent less on research - measured as a percentage of GDP - than North America or Asia since at least 1980. The gap has widened significantly over the past 15 years.

Second European Report on S&T Indicators, 1997
Data: OECD, Eurostat, UNESCO and national sources

CONNECT has had a great success during the past ten years in the San Diego area. The University of California provides support to a group of volunteers (mainly retired employees from industry and finance), who provide free consultation to individuals and SMEs (e.g. evaluation of ideas and preparation of business plans, assistance in meeting venture capital officials).

- With regard to technological skills, the following are advised:
 - fully facilitate participation of young hi-tech companies in European programmes, seen as valuable sources of skills and partners, as well as finance.
 - enable academics and researchers to work for (or with) smaller companies (reviewing or adapting, as Italy has just done, university and public research centre regulations); encourage them effectively to do so by developing mechanisms possibly based on the German model of Steinbeis Stiftung.
 - develop the supply of technological resources and competencies from large firms to new businesses (e.g. the networks of 'centres régionaux d'appui technologique et d'innovation' [regional centres for technological support and innovation]) set up by large French groups.

Shell's Small Business Unit was established in 1985. It aims to facilitate start-ups by Shell employees. It makes expertise and facilities available to people wanting to start a new commercial activity (or who have already started an activity). The New Enterprise Foundation - in partnership with ING Bank - provides advice to start-ups and helps them with the development of a business plan and access to finance.

The use of intellectual property rights (IPR)

Technology companies need to be able to acquire and protect intellectual property rights, a key asset, on terms they can afford. Therefore:

- the costs of patent applications should be reduced for universities and companies starting up, on the model of 'small entity fees' in the US.
- the regulations regarding the sharing and transfer of intellectual property rights for research centres and universities should favour business start-ups more, following the example of the Bayh-Dole Act in the US.

The development of support infrastructures and measures

- Member States should encourage public/private partnerships (adapted legal frameworks, possible financial incentives).

The Oxford Trust is a non-profit making body. Its mission is to encourage the study and application of science and technology. It has three streams of activ-

ity: education, an innovation centre, and a local innovation network. A subsidiary, Oxford Innovation Ltd, disseminates the experience of the Trust and generates profits to return to the Trust. The Trust has helped to create approximately 500 direct, new, sustainable and high-added value jobs and approximately 100 indirect ones in the local economy over the last ten years.

- Regional authorities should encourage the development of clusters of innovative companies, enabling exchanges (of technology, qualified staff or other types of skills) between companies and creating a critical mass large enough to provide cutting edge private services (in terms of recruitment, legal advice, market research, etc.). Business incubators and science parks have a major role to play in this process as well as in the provision of real services to technology start-ups.

- It is important not to 'reinvent the wheel' in the area of structures and support measures for companies. Therefore:

- the Commission should identify good practice, providing a continuously updated picture to the relevant actors so that they can make improvements as a result of drawing comparisons (benchmarking); also active diffusion should be ensured by means of transnational networks, especially for the less developed regions and with regard to evaluation mechanisms.
- Community, national and regional governments should proceed to rationalise and professionalise the surfeit of innovation and business support measures and structures, primarily taking into account firms' needs and requirements. It is important to improve budgetary transparency and to ensure best value for money. The creation of 'quality control' and 'labelling' mechanisms should therefore be encouraged, possibly at Community level.

Regional Innovation Projects, promoted by the European Commission's DG XIII and DG XVI, aim to develop cooperation between the regional actors (public and private) concerned in order to optimise innovation support infrastructures and measures on the basis of firms' needs. Nearly 100 European regions have already undertaken such a process.

II Improving Access to Financing

Public funding

- European structural funds (in particular the Social Fund and the Regional Development Fund) should strengthen their actions in favour of the dissemination of innovation, and of expertise and support service networks.
- Public support is necessary during the **gestation** phase to fund the step from the initial concept to the point of being able to demonstrate the economic viability of the project. Thus the use by entrepreneurs of the equipment of research centres and universities, already practised on a case by case basis in several regions, could be encouraged more openly and on a wider scale.

The entrepreneurship project of the École des Mines d'Alès constitutes a real revolution. Its main feature is to pay a monthly salary to graduates and post-graduates and to allow them to work in its laboratories to develop a product or a service or to prepare setting up a business. At present some fifteen business creators use their laboratories.

Public / private partnerships

The development of partnerships combining **public and private** financial resources and exerting a leverage effect on private capital are found to be the most effective way of improving financing of new firms. They should be encouraged, as should the **exchange of experience between Member States** in this respect. These partnerships can include:

- specific mechanisms to finance expenses arising from **protection of intellectual property rights**.
- **public funding of expertise** on which decisions on investment in technology firms are based, including during their growth stage.
- mobilising private investors to invest in newly formed companies, in particular via proximity (local/regional) **funds or funds linked to research establishments**.
- **mutual funds**, following the example of the Italian cooperatives which pay 3% of their profits to a mutual fund which helps to create new ventures.
- appropriate **guarantee mechanisms**, including means to guarantee private investments (e.g. regional guarantee funds).

Developing links between actors

The objective is to improve the understanding of start-up firms by bankers and/or venture capitalists, by:

- the organisation of regional or local networks of **'informal investors'** and their information about high-tech start-up projects.
- **implementing networking between innovation actors** (entrepreneurs, researchers and financiers, etc.).

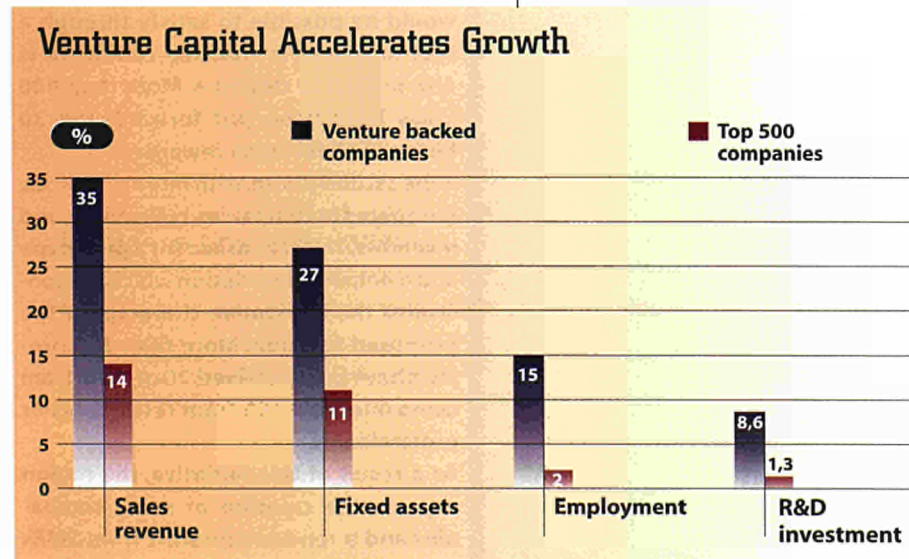
Anglia Enterprise Network is partly financed by public funds. It includes the University of Cambridge, NatWest Bank and St John's Innovation Centre. It aims to identify and support potential businesses especially with regard to team building, business planning and presentation to investors.

- design and disseminate audit methodologies adapted to new firms with a high technology component, following the example of the **technology rating** initiatives implemented in several Member States.
- **pan-European development of new stock markets for high growth companies** (AIM, EASDAQ, Euro-NM) in order to achieve the required critical mass and liquidity.

In the regulatory and/or legal fields

- lift restrictions on pension fund investments and life insurance companies and promote **prudent man legislation** which allows investors to diversify their investments especially in unquoted companies. It exists in the USA and in some Member States (e.g. UK, NL, IRL). Its extension should be encouraged.
- review **regulations aimed at protecting small investors** (such as the Financial Services Act or regulations on publicising investment opportunities towards private individuals) whilst maintaining sufficient protection against fraud, in order to allow more flexibility in investment in **start-up stages**.

Comparison of growth rates between venture-capital backed and top 500 companies, 1991-95



III Facilitating Access to the Market

Market orientation is a key factor for success. This is best left to the private actors themselves to tackle. However, a large number of innovations or new firms fail because they do not have a market for their products. The following measures should be considered:

Support for market research

- Support for research and development could be extended to include some expenses related to market analysis at the outset of the project.

Provide market information

- At **gestation** stage, make would-be entrepreneurs aware of the opportunities arising from the **collection and dissemination of available technical and market information**.

The **IDEA** initiative, promoted by the Emilia Romagna region, through its agency ERVET, in cooperation with the most industrialised cities in the region, aims to stimulate the diversification of the local production sector and to orient it towards the sector of systems and tools for assistance to elderly and disabled people. It consists of a competition in two stages:

- the first is targeted at elderly (over 65) and disabled people; they are invited to identify a need 'in order to ensure a better quality of life' which it would be possible to satisfy through a tool or a system that the candidate is also invited to describe. More than 400 ideas have been put forward; the 30 best ones have been rewarded.
- the second phase, with more resources, is targeted at companies, researchers and inventors. They are asked for a prototype and a detailed description which demonstrates the innovative character of the proposed solution. More than 200 projects have been received, 70 of them from companies and 150 from researchers or professionals.

As a result of this initiative, the region expects the creation of small companies and a renewed interest from SMEs in an expanding productive sector.

- develop and disseminate **economic intelligence and appraisal techniques** to companies, especially at the **start-up** and **growth** stages.

Develop markets for new firms

1 Develop **first reference private or public customers**, for example:

- support for mechanisms encouraging large firms to act as launching customers for new firms, particularly by means of specific training for buyers.
- the rules governing **public procurement** should be reviewed to become more favourable towards young innovative firms.

2 Develop **transnational business cooperation for firms** at the **start-up** and **growth** stages by:

- promoting the interconnection at European level of **various support networks**, in particular to facilitate transnational cooperation as early as possible in the development of the company, and to facilitate in this way their expansion in the Single Market.
- developing a **European support strategy for clusters** to encourage the creation of such transnational networks grouping large and small enterprises, researchers and support organisations. Facilitate their cooperation at European level (e.g. in benchmarking or training) using modern communication methods.



IV Creating an Environment Conducive to Innovation

A culture favouring entrepreneurship

1 fostering **entrepreneurship** is essential. It entails a thorough, complex and difficult cultural change which requires political will and long term commitment. It is necessary in particular to:

- **raise the profile of entrepreneurship** with policy makers.
- **develop an attitude favourable to entrepreneurship at all stages of initial and continuing education.** Several countries including Ireland and the UK have already implemented such measures in the primary sector. On a Community level, an exchange of experiences with regard to such measures in primary, secondary or higher education should be encouraged.

2 Promoting 'role models' of successful entrepreneurs in order to demonstrate the social benefit of entrepreneurial success. The following measures are especially advocated:

- **forming a club of high-tech, high-growth European companies** (based on the example of the 'Europe 500' association, groups such as the Spanish AENTEC, the French 'Croissance Plus', Comité Richelieu, etc.).
- spreading the use of **benchmarking techniques.** They are a powerful tool to create awareness among company managers of methods used by the 'best in the group' to achieve and sustain growth. For instance, in less favoured regions, like Extremadura, concrete '**demonstration**' projects illustrating the successful absorption and adaptation of technologies from more developed regions can have a very high impact on local businesses' attitudes regarding innovation and growth strategies.

The **TRANSTEX pilot project (supported by the European Commission)** helped **five companies in the Spanish region of Extremadura to solve specific problems through technology acquisition. Subsequently they were able to offer new products on the market or substantially improve their production processes. This has resulted in a significant sales increase and the direct creation of around 100 new jobs. The TRANSTEX project not only supported well-established sectors (agro-food and ornamental**

rocks) but also broadened the range of goods supplied by the region (textiles) and introduced new business activities (microchip cards).

- regional, national or even Community **prizes for the best business plans** could be organised (cf competitions for the best business plan held in Germany and run by McKinsey and venture capital companies).

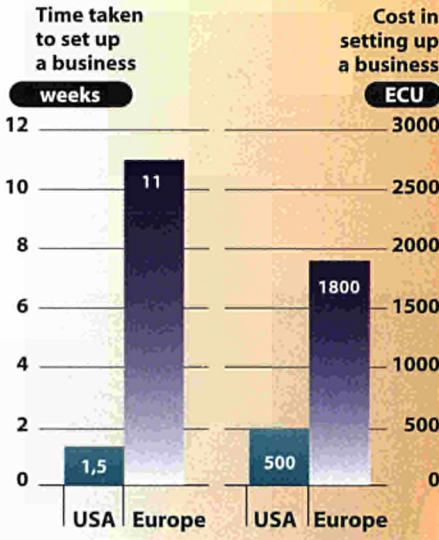
The objective of the Business Plan competition, held in Munich and Berlin, is to stimulate start-up companies arising from universities and research facilities. It brings together most of the relevant regional actors (service providers, experts in business start-ups, financiers, sponsors, regional/local governments). It targets students and scientists as well as experienced entrepreneurs. Among the concepts received, more than 250 were simple business ideas coming from students and scientists. As a result of the competition, more than 30 actual start-ups are expected.

3 Heighten awareness of **management for growth issues**, in particular by:

- **promoting an equity culture** and illustrating, through case studies, the benefits for SMEs of involving informal investors and venture capital companies (access to expertise, networks, markets, etc.).
- promoting a culture of entrepreneurship among managers and facilitating **the restructuring of companies** (in preparation for Management Buy-Outs and Management Buy-Ins).



Setting Up Shop



Cost and time taken for establishment of a private limited company.

OECD and Logotech (1998)

4 Strengthen spin-off activity from large firms:

- the Commission should identify areas of good practice and promote the benefits of spin-offs (e.g. to establish a network of innovative suppliers) and disseminate them to Europe's leading companies.

The French Atomic Energy Commission (CEA) promotes entrepreneurship among its staff members and the creation of spin-offs. It is based on the following principles: assistance to the young entrepreneurs (training programmes paid by the CEA, advice, etc.), a right to failure (entrepreneurs keep the possibility of returning within two to three years), the provision of interest-free unsecured loans. Intellectual property rights are transferred free of charge to entrepreneurs when they apply for a patent which the CEA intended to withdraw.

The fiscal and regulatory environment

Social, fiscal and regulatory issues are of the utmost importance for the launch and success of new innovative companies.

1 Generally speaking:

- it is necessary to launch a debate at Community level on the **taxation** (including social security contributions) of new businesses, entrepreneurs and investors in new innovative firms.
- Member States should pursue the **reduction of delays for payments**, crucial for newly born companies, taking as example the best European practices.

2 The following measures are essential at the gestation and start-up phases.

- **improve social measures to protect entrepreneurs** (social security, unemployment benefits, public pension schemes). In particular, **insolvency and bankruptcy laws** must be reviewed to avoid excessive punishment for failure.
- **administrative simplification** should be pursued in Member States so that firms' reaction time can be shortened. Business support bodies should be given the possibility (like the associations of categories in Italy) to carry out administrative procedures on behalf of small firms.
- **develop the benchmarking of best practices** with regard to business start-up formalities. ■

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