



## Europe needs **SUCCESSFUL, SOCIALLY RESPONSIBLE ENTREPRENEURS** – What needs to be done –

*Dedicated to Professor László Sólyom, President of Hungary, and  
to the President of the European Economic and Social Committee.*

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### **1. FACE THE FACTS**

Europe's economy is facing major challenges, in particular the new EU member states and countries in Central- and Southeast Europe. The emergence of more global competitors has made the situation even more critical.

Entrepreneurs and Small- and Medium-sized Enterprises (SMEs) are the backbone in creating jobs and boosting the growth and competitiveness of the European economy. Europe needs more self-motivated entrepreneurs and more innovative SMEs. Voluntary business initiatives (such as corporate social responsibility) can contribute to ensure sustainable economic and social development.

However, there is no single best solution that could be addressed by political leaders alone. Relevant civil society actors, including employer- and employee organisations and higher education establishments, need to become full partners.

### **2. NEVER STOP LEARNING**

The moral duty entrusted to political leaders includes best possible use of society's intellectual resources for the sake of the common good and a sustainable future.

This has to include optimal involvement of youth. It can only happen when clear prospects exist to nurture talents through their entire career.

It is crucial to stimulate an entrepreneurial mindset from an early age. Entrepreneurship education and training must be an integral part of the school curriculum and life-long learning:

- basic education at secondary schools as well as vocational training;
- comprehensive curricula at university / business school level; and
- regular life-long training sanctioned by employer- and employee organisations.

Well-educated individuals will better appreciate and adapt to Europe's global challenges and be aware of their own responsibilities and prospects in this context.

### **3. MAKE EXPERIENCE COUNT**

Success needs to build upon the practical orientation and societal relevance of the comprehensive training in international management and foreign languages.

Exchange of experience about success and failure and social responsibility must be a part of the "European model of training". This will open the prospects to become successful and socially responsible entrepreneur.

Such training must include transfer of practical experience and best practise from experienced (or past) entrepreneurs to young individuals. Well-trained and motivated young individuals will be able to choose their own way to become successful and socially responsible entrepreneurs. The final choice remains in their hands.

**The Round Table suggests to launch European-wide awareness campaigns promoting entrepreneurship and demonstrating the value of the entrepreneurial career-path.**



## EUROPE'S COMPETITIVENESS DILEMMAS

The EU is lagging behind its global competitors. The competitiveness gap is not improving.

Among the EU Member States, economic divergence is growing. Rich countries are getting richer compared to the average and the poor are getting poorer. The efforts of the EU's to achieve economic and social convergence and enhance its global competitiveness are in question.

SMEs are the key to the solution. Entrepreneurs<sup>1</sup> are of crucial importance in this respect. However, in Europe, SMEs are facing challenges not of their own making and not enough entrepreneurs are coming out of the educational systems to meet the needs.

A European paradox is that although there is high unemployment in Europe, up-to-date skilled personnel is often lacking in high-tech sectors.

SMEs represent the biggest sector of the EU economy and produce considerably more than half the EU's global GDP. With some 25 million enterprises employing around 80 million people. SMEs are responsible for the creation of more than every second new job.

Due to their small size lean structure, SMEs are generally more dynamic than big enterprises. This makes them particularly important for job creation. If every SME in Europe could employ one more person, the unemployment problem would be resolved.

But European SMEs are also vulnerable, often lacking risk-taking entrepreneurs and access to capital. In addition, they are often hindered by red tape.

Europeans are generally risk-averse. Europeans have more aversion to self-employment (to set-up micro enterprise). They are also less inclined to become entrepreneurs than their competitors. As a result, entrepreneurial initiatives are less developed in Europe than in competing economies (e.g. USA, China). This phenomenon is mainly due to fundamental cultural and social differences and the inadequate attention paid to entrepreneurship related training in Europe.

A single market for venture capital is absent in the EU. Lack of access to adequate venture capital and guaranty facilities are posing major challenges to European SMEs. This is a particular dilemma for high-tech start-up SMEs. The early stage capital market (business-angels) in Europe is considerably smaller than the corresponding market in the US, representing less than one-fourth of its US equivalent. Only one in about 50 European SMEs approaches a venture capital company to obtain financing.

Part of the explanation why Europeans are more reluctant to set up their own business can also be found in the difficulties perceived in facing red tape. In some EU member states the red tape is legendary and presents considerably difficulties for entrepreneurs, particularly for new-starters and young individuals.

On the other hand, there are certain commonalities for countries that are internationally successful. They are low on red tape, friendly to private enterprise, have an equitable tax regime, an open and well-developed financing system, flexible labour market, comprehensive training of skilled workers, and a modern network infrastructure.

At individual company level, more attention needs to be paid to social responsibility in general. It necessitates a clear commitment to contribute to the common good and economic development. Furthermore, such ethical behaviour should include contributing to improvement of the quality of life of the workforce and their families as well as of the local community and society at large. Nordic countries should serve as best-practice examples in this context.

The Round Table wishes to stress that it is necessary to create more favourable attitudes towards entrepreneurs by promoting them as role models, by celebrating their success, and by reducing the fear of failure.



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<sup>1</sup> Individuals with ability to turn ideas into action, being creative, innovative and risk taking.

## **BUDAPEST ROUND TABLE 2006**

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**The Hungarian Academy of Sciences has taken note of this Memorandum.**