Original Articles

SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EUROPEAN UNION

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Abstract

This report reviews the main issues related to small and medium-sized enterprises (SMEs) in the European Union (EU) and recent findings concerning the role of such enterprises on innovations and on ability to create jobs. Managerial challenges and functional environments as well as burdens of the SMEs in the rapidly changing world have been charted with a view to further actions and developing new forms of cooperation. The report also illustrates the principles of policy on SMEs in the EU. To encourage SMEs to carry out qualitative improvements, examples of good practices and financial benefits and incentives are also given.

As a matter of fact, SMEs can create jobs only if the conditions for their competitiveness are ensured. Likewise, a well-informed company stands a better chance of survival. Therefore, SMEs, in particular, are seeking improved regulatory, administrative, fiscal and safety environments. Being incorporated with this, national enterprise houses (one-stop-shops), support centres and a training renovation will be made operational without delay and in full weight. This means a closer partnership and networking between all the parties concerned with the development of SMEs at Community, national, regional and local levels. Right from the outset the realization is synchronized by the owners or managers themselves, because without them and their conviction of the necessity of training, diversified information, improvements in work organization and learning European opportunities, in a tiny company there would be nobody to utilize and to be interested in the supporting schemes and programmes within the Community. It is self-evident that for SMEs innovation is extremely vital in training. The survey is based on a total of 146 separate articles and documents published by the end of 1995 on the subject.

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Introduction

Small versus large ones

The size distribution of industry and its relationship to problems of monopoly and competition is an issue that has preoccupied economists for a long time. There appears to be a small-scale industry renaissance in recent academic and policy literature on industrialization and development. It is increasingly recognized that the mass production economy is in deep trouble.

At the same time, academic and policy attention is drawn to some prosperous and highly competitive regions, organized along principles other than those prevailing in the mass production paradigm and where small, flexible, responsive and innovative firms play a central role (Lyberaki 1994). In addition
to the major hypotheses about the relationship between monopoly power and innovative activity and between company size and innovative activity, there are two additional broad hypotheses studied by researchers of the microeconomics of technical advancement. They are called the technology push and the demand pull, respectively, and can be thought of as emerging from different perspectives regarding the interaction between a company's operating staff and its research facility (Kamien and Schwartz 1982).

**Capacity to innovate and compete**

Small enterprise innovation (see also e in Endnotes) is becoming increasingly important both for the small firms themselves and for governments. Operating on global, highly networked markets means that innovation in products and processes and management of small and medium-sized enterprises generally is no longer optional but a necessary activity for growth and increasingly for survival (O'Doherty 1995).

The historical account suggested that in synthetic materials, chemical processes, nuclear reactors and some electronic systems large firms had predominated in launching the innovations. But as Freeman states in his book (Freeman 1982) a blanket hypothesis of "bigness wins" should not be sustained. In scientific instruments, in particular, new small firms have made an outstanding contribution. Inventor-entrepreneurs establishing new firms had apparently also been important in the early days of the chemical industry, and in the early days of the semiconductor and radio industries. They have continued to flourish in the minicomputer industry and in computer software. The evidence so far suggests that as regards competitive attempts to innovate, size itself does not affect the outcome very much. However, it is apparent that there is a range of innovations that are not attempted at all by small firms, so that, for example, the competition in the chemical industry or turbine generators is mainly between various large or giant firms. The relative contribution of large and small firms varies a great deal from industry to industry (Freeman 1982).

In addition, it has been established that the innovative advantage of small firms is promoted in industries that are highly innovative and that utilize a large component of skilled labor. By contrast, the large-firm innovative advantage is apparently greater in industries that are capital-intensive, advertising-intensive, but non-concentrated. Of course, procedures requiring high levels of technical expertise or capital-intensive technology may also be decentralized to smaller firms. Thus, stages of new product research and development may be subcontracted with a view to avoiding the costs associated with the high-risk process (Hsia 1989).

Competition has tended to take the form of greater emphasis on flexible responses to changing demands, fast turn-around and just-in-time delivery, superior quality, better design and product innovation. The price of products has lessened in significance as other features have risen. Increased competition among large multinational firms means that they require suppliers that are able to maintain their customers' competitiveness, suppliers that can meet the new demands. Thus the competitiveness of the large firm now depends not only on its own capacities but on those together with those of its suppliers (Pyke 1995). Manufacturers have come to depend on suppliers as much as vice versa (Womack et al 1990).

**Opportunities to small businesses**

While the statistical evidence that small firms play a more prominent role in all sectors of the economy is quite convincing, the exact reasons for this are considerably more tentative.

As quoted in Acs and Audretsch (1990), there are at least six factors that have been hypothesized to explain this recent emergence of small firms. The first is the decentralizing effects of certain new technologies, such as numerically controlled (NC) machine tools, which have contributed to a reduction in the minimum efficient scale, or the level of output required to exhaust scale economies. Even the tiniest firm can usually do some activity - from plant watering to specialized legal service - better than a giant. So we see a spreading trend toward disintegration and subcontracting. The second reason is that increased globalization has rendered markets more volatile as a result of competition from a
greater number of foreign rivals as well as from exchange rate fluctuations. Thus organizational and productive flexibility, which tends to be more within the domain of smaller firms than within that of their larger counterparts, is increasingly becoming a valuable asset. The third argumentation is that the changing composition of the labor force may also be a catalyst for small enterprises. The increase in the labor-force participation of women and the entry of the baby-boom generation into the labor market may have increased the supply of exactly the kinds of labor that are most conducive to small firms. The fourth explanation is the proliferation of consumer tastes away from standardized mass-produced goods and toward stylized and personal products. To the extent that relatively small batches of customized products are replacing long production runs of standardized goods, the inherent cost disadvantage of small-scale production will tend to decrease. Fifthly, the recent deregulation movement may also have contributed to the viability of small enterprises. For example, the relaxation of entry regulations in certain industries, such as telephone manufacturing and financial services, has increased the opportunities for small business. Sixthly, it has been argued that there exists a current period of "creative destruction" where entrepreneurs develop new products and processes that ultimately displace the entrenched firms and institutions.

The changing position of SMEs is also said to be facilitated by owners/managers responding positively not only to "parent" (i.e. manufacturer or large company) or customer pressures, but also to changes in the environment. For example, changes in markets, such as segmentation in mass markets, with heightened and diversified consumer preferences, have reduced product cycle times and forced large manufacturers to rely on their suppliers, not only in terms of cost, delivery and quality, but increasingly for sub-assembly work and even for the design and development phases of the product cycle. Further, structural changes such as the "servicization" (growth of services) and "2.5-ization" (the fusion of manufacturing and services) of the economy, the trend towards knowledge intensity, and the shift to domestic-demand-led growth have also opened up small new and niche markets which may not be attractive for large firms to enter, or in which small firms may actually have an advantage. These provide a toehold and springboard for later expansion. Other developments, like quick changes in money markets, increased the incentives for subcontractors to reduce their dependence on "parents" because of the tremendous pressure to cut costs and the heightened uncertainty as "parents" rushed to set up operations overseas (Whittaker 1994).

It is worthy of adding to the list that the change in production patterns by the mainstream has led to the emergence of new industries that produce the equipment, the technologies or the services needed for a better environmental performance of existing industries. These new firms produce goods and services capable of measuring, preventing, limiting or correcting damage to water, air and soil. They also deal with waste-and noise-related problems. With this narrow definition, the sector has a yearly output of US$ 250 billion in OECD countries, with an annual growth rate of 8.0%.

**Small and medium-sized enterprises**

*What are the SMEs?*

In practice, the European Union's exact official definition of SMEs is that any firm can be a SME if it has no more than 500 employees, has an annual turnover of no more than ECU 38.0 million and if it is no more than 1/3 owned by an organization larger than an SME (based on turnover and number of employees) unless it is a financial investor such as bank or venture capitalist [COM(1995)362final, p. 57; see also a,b,c in Endnotes].

In the future, this provincial definition could be revised in order to introduce a coherent definition of SMEs in all community programmes. In particular, the Commission has said that it is closely monitoring the participation of SMEs in the category of less than 250 employees in order to determine whether its programmes take sufficient account of the needs of these enterprises. In some cases a lower - i.e. stricter - definition is used (EC Commission 1989).

In the same way it is convenient to distinguish between micro-enterprises (1-9 employees), small enterprises (10-99 employees) and medium-sized
enterprises (100-499 employees). There is, of course, no satisfactory segmentation for SMEs: each of these three sub-size categories contains a wide range of situations; what is small varies from sector to sector. Thus a manufacturing enterprise with 150 employees would generally be accepted as an SME, but a retailer with that number could be regarded as a large firm.

To clarify the definition of SMEs the Council of Europe states that we should not include to SMEs companies quoted on a major stock exchange, nor should we include subsidiaries of quoted companies. A SME will typically be independently owned and managed by its owners, and it may be unincorporated or incorporated. We should certainly include the self-employed without employees (the zero-employee class) though for practical purposes such an enterprise should be the principal source of its owner if it is to be counted as a small firm. We should not exclude farmers or any forms of non-government business unit formed with the intention of making a profit or providing its owners with gainful employment (CE 1994a).

The official EU definition of SMEs is rather broad, so that on its basis SMEs comprise the quasi-totality of European enterprises. The basic philosophy behind EU actions in favour of SMEs is to reduce their handicaps due to their small size and thus facilitate their incorporation in the large Single European market. Such actions are also considered to benefit employment, given the importance of SMEs in job creation (Lyberaki 1994).

The role of SMEs in the economics

SMEs constitute the vast majority of all business enterprises in Europe, as in market economies elsewhere. In fact, in 1990 there were 15.8 million enterprises in the EU (excluding former East Germany) of which 99.9 % were SMEs. Micro enterprises, at 14.8 million, formed 93.3 % of the total. In the same year there were just 13.000 firms with more than 500 employees, and 14.000 with between 250 and 499. Each of these groups accounted for 0.1 % of the total (see also d in Endnotes). By 1993, the total number of enterprises had increased to 16.7 million (ENS R 1995).

Large enterprises dominate the extractive industries, transport, communications and producer services. Micro enterprises are predominant in the retail sector and personal services. Between 1988 and 1993, the number of the SMEs rose by 9.0 %. Over the same period, the population rose by just 2.5 %. Hence there seems to be a growing attraction for entrepreneurship. The 9.0 % rise was concentrated in micro and small enterprises, while the figure for large firms fell [CES(1995)52]. For example, in Belgium within the SME sector it is the smallest firms (< 5 employees) which have grown most in numbers. During 1992 their numbers grew by 796 units to a total of 138,978 businesses. Since 1983 there have been increases in the number of persons who are self-employed each year. Over the period 1980 and 1992 there has been a rise in the self-employed figures by 73,146 units being totally 717,220 units in 1992 (NCMV 1995).

In the Mediterranean nations, there was an average of 65 enterprises per 10000 inhabitants [CES(1995)52]. By contrast, on a per-capita basis there were 44 companies for every ten thousand people in Finland. In the rest of Europe (in this case it is EU12) the corresponding company density is about 45, which means that on a per-capita basis the number of companies in Finland is on the European average (Ministry of Trade and Industry, Finland, 1995).

In a very recent document on the European employment strategy, the latest data for a range of EUR15 countries [see COM(1995)465 final, p. 42] confirm the pre- eminent role of SMEs in employment creation. The 15.8 million SMEs (< 250 employees) in the European Union employee 64.2 million people and account for 41.2 % of the total active population. Small enterprises (< 50 employees) alone employ 52.0 million people, equivalent to 32.0 % of the total active population. In most countries, SMEs (< 250 employees) account for more than 60.0 % of total enterprise employment. Italy (77.0 %) has the highest proportion of employment in SMEs among countries covered and Germany (56.0 %) has the lowest. SMEs in Finland have steadily increased their share of employment and they employed 62.9 % of total personnel in 1991 which is 6.1 % more than in 1986 (Luostarinen et al 1994).
The average number of employees per SME was 4.3 in 1990. In large firms, the average was 2119. The overall average was six employees per firm [CES(1995)52]. For the sake of comparison, in 1993 the average number of full-time employees was 6.4 in building companies, which are typical examples of small enterprises in Central Finland. The median was one, because most companies had no or only a few full-time employees. About one third of the companies were singly run by the owner (Manninen 1994a). During the same time the tiniest (<10 employees) production enterprises of the metal industry in Central Finland employed on average 4.5 persons, including both management and employees (Manninen et al 1993).

In all countries small enterprises (<50 employees) account for about 40% or more of total enterprise employment. In his report of Petarakos (1995) gives some other earlier information stating that the contribution to employment of firms with a size smaller than 50 persons was 22.0% in Germany (1970), 37.6% in Italy (1970), 11.3% in England (1972), 22.5% in Denmark (1973), 24.9% in The Netherlands (1973), 20.1% in Ireland (1968), 17.4% in France (1976) and 64.0% in Greece (1988). Furthermore, in Finland the employment share of firms with fewer than 50 people was 33.5% in 1986 and 37.7% in 1991 (Luostarinen et al 1994).

SMEs account for 70.0% of the Union employment in the private sector and are the principal job creators, being responsible for an estimated 80.0% of jobs generated in the private sector over the past decade. In addition, an increasing number of larger firms are reorganizing into SME-type structures, to become more flexible and respond more rapidly to the market (EC 1995).

In 1990, SMEs accounted for 69.4% of total turnover. Although micro enterprises account for 93.3% of businesses, their turnover represented just 23.4% of the total, compared with 30.6% for large enterprises, 25.8% for small enterprises, and 20.1% for medium-sized enterprises [CES(1995)52].

However, one should be aware of the close link between large and small companies, in the sense that small firms are often partly or wholly subcontractors. Large firms' policy of contracting out, which has prevailed for some years, has a possible influence on SME job creation.

**Development of the SME-sector**

The economic development in Europe during the 1988-1995 period can be subdivided into a period of growth (1988-1990), a period of stagnation (1990-1993), and the recovery (1994-1995). This business cycle is clearly reflected in growth rates of turnover and value added of both SMEs and large scale enterprises (LSE). Over the whole period the real average growth rate of turnover and value added was 2.0% for both size categories (ENS R 1995).

Each stage of the business cycle has a different impact on SMEs and LSEs. The world wide recession hit the export oriented LSE first, and SMEs were affected by the recession slightly later. During the period of recovery, the opposite process occurs. The economic recovery is strongly export led and therefore LSEs have benefited first. From 1994 onwards, the increased industrial and consumer confidence has had a stimulating impact on investments, which positively affects SMEs.

During 1988-1990, SMEs benefited from the favourable macro economic conditions, resulting in average value added growth rates of 3.5% annually. Micro firms, in particular, stand out with average real value added growth of about 5.0%. Foreign demand contributed greatly to the favourable performance of SMEs: exports grew at an annual rate of 8.0%.

During 1990-1993, the European economy fell into recession, with decelerating demand growth and even an absolute decline in investment. This had a great impact on the SME-sector, growth of real value added decelerating to no more than an estimated 0.5% annually. Also with respect to exports, retarded growth rates could be observed.

In 1994 the international economy recovered faster than expected. Value added growth accelerated to about 2.0% a year. Exports especially, and subsequently also investments contributed to this. In 1995, further strengthening of the recovery is expected, with consumption demand increasing its contribution to growth.

Many SMEs and even micro-sized firms, are actually intensively involved in international
competition, even though indirectly. Therefore policy measures aiming at improving the international competitiveness of enterprises may also benefit SMEs that are not directly involved in exports (ENSFR 1995).

**Start-ups and closures**

*Entrepreneur-related factors*

It would seem that self realization, the will to be independent, and business ideas/opportunities (all pull motives) are, alongside the risk of unemployment (the main push factor) the most important motives for starting a new enterprise. During recent years, unemployment has become an increasingly important motive in many countries, including Denmark, Belgium and The Netherlands. The reason for starting a business may have different implications despite the same general motives being given. For instance, amongst men, the will to be independent usually means that they want to be their boss, whilst amongst women, it is more often a matter of financial independence.

In addition to the entrepreneur-related factors a propensity to take risks has been stated as being most important to business start-ups, expansion and success. Motivation appears to be of some importance. Furthermore, individuals with higher levels of education are more likely to be found in rapidly growing enterprises, as are those with some prior managerial experience. Another finding seems to indicate that rapidly growing enterprises are more likely to be founded by groups rather than by a single individual. The most important negative factor was unemployment push. Four studies (of a total of 8 that included the factor) found a negative link: an enterprise started by an unemployed person was likely to under-perform (in terms of growth) those started by former employees.

Studies done in several Member States demonstrate that only 5.0 to 20.0 % of the starters of small businesses have finished secondary education. It seems, therefore, that the educational and the university systems do not particularly favor the entrepreneurial spirit in terms of creation of enterprises and in terms of establishing oneself as an entrepreneur, self-employed person or craftsman (COM (1995)502final).

Irrespective of his country, the typical entrepreneur is a man aged about 35 who has previously worked in a small, private enterprise, in a mid-management position or as a skilled worker, and has an average educational background relative to the population as a whole.

If we look at each country and the type of the enterprise started, the picture becomes more complicated. In Belgium for instance, 81.0 % of those who started high-tech enterprises have university qualifications. In Ireland, France, Germany, The Netherlands, and Sweden, a starter tends to be from amongst the better educated sections of the population.

Out of the managers, company owners and entrepreneurs of the smallest Finnish productive enterprises involved, 28.0 % had a training of a technician, engineer or M.Sc. Engineering; other managers (72.0 %) had completed the comprehensive school or had worked for others before starting their own business. All except one company in the study were owned by a man or a group of men, and they were run by a man. Almost all employees were also men (Manninen et al 1993).

In Italy, 16.0 % of enterprises are started after a period of unemployment, in Sweden, the corresponding figure is 29.0 %, and in France 33.0 %, but in Luxembourg only 6.6 % of those who started enterprises in craft trades did so from unemployment. In Germany, female starters are younger than their male counterparts, and preceding unemployment is three times more common among women entrepreneurs than amongst men. The proportion of female starters averages 27.0 % of the total. Female entrepreneurs are mainly to be found in the catering, trading, and service sectors. Operations are usually limited in scope and involve low capital requirements, both at start-up and for expansion.

*Employed spouses*

Only a very limited number of countries have provided information about the role of spouses. In Austria one study found that 27.8 % of the founders employed their spouses when starting their
enterprise. A study in Denmark found that the number of spouses employed was about 10.0%. A work in The Netherlands (Peters 1994) showed that, in the Community of Ten (i.e. EU10) in 1986, approximately thirteen million women were running their own independent businesses, or were working in their husbands' businesses. It was found that two thirds of these women were co-enterprising spouses (8,185,000). This number is greater than the total number of women registered as employers, self employed, or as family workers in the twelve Member States (EU12) during the same year (ENSR 1995).

**Businesswomen**

As observed, many women are not in paid employment, but work in or from the home. A recent report (EC 1992) showed that women represent over 80.0% of persons in the Community who are classified as not economically active. Setting up a business based ideas developed out of experience and activities at home can work, as several cases demonstrate.

However, it is not enough simply to transfer experience: home-based skills and competencies are limited primarily to domestic related activities, voluntary work and hobbies, with little or no business and commercial character. Ideas that directly transfer experience from domestic-based work to the market place, do not present a sufficiently strong foundation on which to develop a viable business.

On the other hand, many women who do gain experience of business and markets from paid employment, do so in a limited way. Women as employees tend to be concentrated in a few sectors of the economy: most women work in the services sector, in the fields of health, education and personal services which are traditionally dominated by women.

Against this background of women's work experience, be it in the paid labour - market or home-based, it is not surprising to find that many women start businesses in these same traditional female sectors of the economy.

**Business dynamics**

The term business dynamics refers not only to the number of start-ups and closures, but also to changes in job availability, structure, markets, production methods, and working procedures. Many studies only follow enterprises which survive throughout the period of analysis, which naturally yields an average figure indicating growth. In Luxembourg, for example, a study of the craft sector showed a growth of 198.0% during the first five years, and a Swedish study shows employment growth of 52.0% (quoted in ENSR 1995). The highest net change (+2.2%) in employment was in Denmark (between years 1983-89) and the lowest net change (-1.6%) was in Finland (between years 1986-91).

Overall, new enterprises and expansions in existing enterprises generated only slightly more jobs than those that disappeared as a result of closure and contraction. Another important dynamic process underlies the net changes. Job turnover varies in the countries studied from 16.5% in Germany to 29.8% in Denmark. This means that between every third and sixth job is changed during a year; the flexibility of the labour market is of major importance today with rapid changes in society, but opinions differ as to whether or not this trend is wholly positive. In cases where more jobs opportunities are created in sectors that are internationally competitive and profitable, these changes are positive from the point of view of trade and industry, but in cases where the new jobs are created in less profitable sectors the competitiveness benefits are smaller even though the jobs are significant to the labour market.

**Obstacles to start-ups**

Start-up problems are not restricted to venture firms. Whereas once it was relatively easy to set up a new manufacturing business, subcontracting at first for one's former employer before branching out, the obstacles to this course of action have grown. It is very difficult now to start out with one second-hand lathe in a tiny back-street workshop. Technological requirements have become very stringent, and manufacturers have become increasingly selective about who they give orders to. A CNC lathe or
machining centre may now be required to secure orders. Those SMEs that have been able to respond positively through good management or good fortune have survived and indeed prospered, while others have not fared so well; hence the widely remarked polarization of SMEs, between those growing and gaining greater independence and those slowly sinking. The successor problem, generational attitude changes, and difficulties in setting up new firms have raised the spectre of hollowing out from below (Whittaker 1995).

In general, the studies of obstacles to business start-ups and expansion in different countries almost always mention a lack of capital as the most important factor. This is followed, in declining order, by inadequate demand, lack of entrepreneurial insight, social fees and taxes and shortcomings in marketing ability. Other factors mentioned include a lack of will or courage, (excessively) long lead times for product development, poor financial skills, and inflexible labour laws (De Lind van Wijngaarden 1995). In some cases, there is the critical problem of finding workers, too. Even in Japan (Aoki and Dore 1995), small firm owners say that fewer of their workers are likely to become independent: "In the past about fifteen of our workers have become independent. We shared some of our business with them. Nowadays you need 100 million yens to set yourself up, the machines are complicated, and the processes more difficult. None of the workers here now will become independent" (Whittaker 1995).

Closures

All in all, closures of SMEs, which appear to be increasing in most Member States, are a cause for concern (between 35.0% and 40.0% of enterprises cease activity within three years of start-up, and 60.0% within eight to ten years after start-up [COM(1994)207final]).

General problems within the SME - sector

Craftsmen and the heads of small industrial and service enterprises are faced with a multitude of external and internal challenges and problems.

External problems

In general, at the external level, as the Berlin Conference listed [COM(1995)502final], SMEs have to face increasing competition from 1) the entry of large concerns into market niches traditionally reserved for small enterprises, as a result of flexible automation of production, 2) the change of balance due to new forms of trade and distribution (creation of big commercial projects of the supermarket and hypermarket type where one job created destroys one or more jobs in the crafts or retail sectors), 3) the emergence of new forms of living a life and new consumption patterns, and 4) from the scale of the informal sector and of undeclared working. What is more, the craft industry and small enterprises suffer from considerable disadvantages in the area of competition by not receiving information in time and often not having enough resources 5) to comply with European standards and certification, which are replacing national regulation more and more, 6) to introduce new quality certification procedures increasingly demanded by public and private customers and 7) to comply with legislation on environmental protection and environmental management.

The small and medium-sized enterprise sector (like the previously mentioned newly founded firms) is hampered by specific obstacles which prevent the implementation of various innovations. Examples of obstacles which are consistently mentioned in literature on the subject include: insufficient access to risk capital, lack of well-qualified personnel and the lack of technical knowledge. Most SMEs have to depend on knowledge developed elsewhere for their innovative activities. But even gaining access to the networks that could provide this knowledge is a problem for many entrepreneurs in the SME sector (See Club de Bruxelles 1992, 1993).

One study, conducted with the support of the European Commission and published in the spring of 1994 reported that a quarter of the firms contacted cited shortage of finance [COM(1995)498final]. In addition, the recent Community Innovation Survey of more than 40000 firms in fourteen European countries (i.e. EU14) confirmed that difficulty in accessing sources of appropriate finance was one of the most frequently identified barriers to innovation.
[COM(1995)498final]. Difficulties in raising funds and high interest rates are not problems restricted to European SMEs, but also Japanese SMEs face similar difficulties (Aoki and Dore 1995). As Whittaker (1995) puts it "Banks want to push umbrellas on to you when the weather is fine and take them away when it starts to rain".

**Internal problems**

At the internal level, the heads of craft and small enterprises are having to address several challenges and problems, linked in part to the organization of their companies such as 1) limited resources, 2) social, administrative and tax burdens, 3) limited knowledge of strategic management and business organization, 4) financing, 5) problems with recruitment of qualified personnel, and 6) to vocational training for staff.

In 1993 the Commission launched a Euromanagement action on standardization, certification, quality and safety in the workplace; it ended in 1994 and made it possible to audit 842 SMEs [see COM(1995)362final]. The findings obtained during this survey show that the principles of the single market and standardization (through European directives and standards) are generally, very poorly understood, for reasons relating to the difficulties of gaining access to information and the low participation rate of SMEs in the work on European and even national standards. As to quality, a good number of SMEs have commented that they are looking for an improvement in their organization and their competitiveness from the quality assurance systems. However, these are harder to establish in SMEs than in large enterprises. SMEs have difficulty in understanding and applying ISO 9000 and in particular in formalizing their quality procedures. Since they are unfamiliar with the language of the standards, they feel that they are dependent on outside consultation and often do not know how to avoid making over-complex interpretations of the standard and setting up systems which are too clumsy and expensive.

As regards certification, the document notes that there is still much more to be done on completing the single market, in particular, on mutual recognition. SMEs stress in their comments that they expect substantial benefits. However, SMEs are often unfamiliar with EC markings and see the cost of obtaining certificates as a problem (for products and/or quality systems). Moreover, the knowledge among SMEs on health and safety in the workplace is low. About one in five SMEs are in a position to quote the existing standards on safety of employees.

Another study commissioned by the Amsterdam-Haarlem Innovation Centre in 1992 on the transfer of knowledge between SMEs and colleges for vocational education identified the following problems within the small and medium-sized enterprise sectors (Van Rosmalen 1993): The heterogeneous nature of SMEs, and their often limited inclination to work together, makes it difficult to approach them as a group. It is difficult to obtain an idea of the requirements of such companies in the region. There is a culture of rivalry and competition which impedes the transfer of knowledge and information. Various bodies, such as employers' associations and branch organizations, are often either under-represented regionally or are not represented at all. This makes it difficult for them to communicate their training initiatives to companies. SMEs are reluctant to take a structural approach to training. This applies both to employers and employees. There is a tendency to begin training only when knowledge is actually needed, with the result that training is usually rushed and incomplete. Training is generally given either 'on-the-job' or in the form of crash courses by suppliers of production tools. Another common problem among many smaller companies is that they lack the long-term view needed to assess the cost-effectiveness of investments in human capital.

Another weakness is the difficulty which SMEs have in overcoming the increasing complexity of their legal and administrative environment. Merely, about 500 new European norms are adopted every year. Voluntary in principle, they address all European companies, whether they export or not, and whereby national norms on the same subject have to be abolished.

The structural capacity of SMEs to deal with this is hampered by the fact that most management functions continue to be carried out solely by the
head of enterprise himself/herself. This is a particularly heavy burden for self-employed persons, who in 1991 already numbered 16.4 million in Europe. In many cases enterprises are doing work which should undertake by public administrations (VAT, collecting tax and employees' social security contributions). As mentioned earlier, adjusting to the new rules and procedures linked to the Internal Market are still a burden for some SMEs. Many of the difficulties encountered by SMEs, both in dealing with the complexity of the administrative environment and in gaining access to sources of finance, arise from a structural weakness in their management capacity. In Europe we must keep in mind that small companies do not have the management structure and so there will be problems in dealing with the formal management concept of European Union legislation.

Administrative burdens

In accordance with the experiences, administrative burdens are considerable. Recent research carried out by the European Observatory for SMEs estimated the annual cost of administrative burdens at between ECU 180 and 230 billion. This represents 3.0 to 4.0% of the Union's GDP and a major economic costs which is relatively higher (calculated on a costs per employee basis) for SMEs than for large companies (Directorate-General XXIII 1995).

Clearly all the transparency procedures, all the regulatory procedures and all the partnership procedures create a complexity which becomes a burden on enterprises. For example, in France, despite all the efforts which have been made, a great deal of work still remains to be done in order to simplify a number of essential phases in a company's life. 71.0% of French companies, representing 15.0% of the country's value added, are currently affected by cumbersome procedures. One example is the transfer of a company, the difficulties and complexity of which result in an estimated 80,000 job losses a year in France due to failures (Raffarin 1995). Another French example describes procedures for hiring on employees. Some five million employees are hired every year in France, many of them for just very short periods. Of these five million, some 1.5 million were previously unemployed. This means that a number of procedures which apply to this particular group must be completed in addition to the normal procedures involved in hiring an employee.

Finally, between 350,000 and 400,000 of these new employees are young people who follow some kind of training at the same time as working for a company. These young people are thus in a situation of alternating training which also quite often significantly complicates procedures (Legendre 1995). Although these are not solely attributable to the complexity, and sometimes result from the very weight of the administrative burden, the fact remains that complexity is an added burden (Directorate-General XXIII 1995).

Small businesses must cope not only with the effect of concentration in the sector or general developments in international competition, such as cost of services, but also with the problems of managing the business, marketing, using new technologies and innovation in general, access to capital to expand the shareholder-base, or, again, difficulties in obtaining cooperation between firms or forming groups as associations or voluntary chains, as well as changes in local competition when an increase in demand produces an increase in the number and range of firms involved. Examples of areas facing such difficulties include tourism, in particular rural tourism [COM(1995)97final].

Logically, these features have certain consequences. The rapid turnover or - from the employee's point of view - precariousness of employment can prevent people from acquiring skills and qualifications in certain branches, at the very time when the increasing accent on quality requires more professional standards in running a business, and it can even lead to shortages of labour which hinder the expansion of employment.

More than anything else, business - and SMEs in particular - are seeking improved regulatory, administrative and fiscal environments of enterprise.

This is therefore a priority concern and major responsibility for the European Union's governments and public administrations in implementing a policy to promote enterprises and SMEs.
Lack of contacts and collaboration

Successful innovation is important for economic growth, leading to new products and processes and even enterprises forming new sectors.

Innovation processes often require interdisciplinary know-how, all of which seldom exists inside one single company, especially not inside a small company. Companies that cultivate close contacts with research institutes and universities are much more likely to show technological product innovation success than companies that are not using this form for complementing their internal know-how base (Gemünden and Heydebreck 1995). Out of all companies with less than 20 employees, only 20.0% of the companies without such contacts realize an innovation success, whilst 50.0% of those maintaining collaboration with these institutions show innovation success. However, SMEs face greater difficulties in establishing relationships. They need to convince other actors not only of their capability and trustworthiness, but even of their long-term viability, which is a difficult task, especially for newly founded companies.

The impact of size is particularly strong in regard to contacts with universities and research institutes, because universities very often do not regard SMEs as attractive partners and vice versa. SMEs are skeptical of university contacts because there is a large gap between the bureaucratic culture of most universities and the entrepreneurial spirit in SMEs. Whilst only 10.0% of small companies have contacts with research institutes and universities, such contacts are daily business for the majority of large companies. Only 10.0% of companies with less than twenty employees cooperate with other companies in the field of R&D compared with 40.0% of the large companies. The analyses done by the same authors (Gemünden and Heydebreck 1995) show that SMEs gain a lot from exploiting external resources, but still do not use this mechanism as intensively as larger companies do. The entrepreneurs themselves do not seem to be fully aware of their need for management support.

As Van Rosmalen (1993) put it, these are examples of shortcomings in the way the market operates. In other words, there is a lack of a sufficiently informed counterpart for educational establishments, which is able to articulate demands on behalf of the business community. It is also possible that, due to a shortcoming in the operation of the labour market, many intermediate organizations were established, none of which was independently able to act as a support system.

Evidence clearly reveals that the main problem for a small firm is not being small but being lonely. Quite often the small companies are dependent on the trade and representative organizations for their information (Henry 1995). Trade journals are important and 1 in 3 of small companies (employing less than 5 employees) gets its information from a trade journal. As the company gets bigger, it can get information and is getting information from other sources such as consultants, trade unions and others. As the company gets bigger, again, there are more trade journals available and they become an important source. In a nut shell, about 70.0% of small companies would benefit from more information and more training and about 30.0% of small companies would need more long-term assistance.

It is most remarkable that nothing has changed during the past twenty-five years because these findings are exactly parallel to those obtained in England as early as in 1970 (Rothwell and Zegveld 1982); that is, in all measures of contact between the industry and the academia, small firms had by far the fewer contacts. Moreover, out of 403 firms employing less than 200, 75.0% had no contact with universities; out of ninety-six firms with greater than 5000 employees, only 9.0% had no contact with universities. Furthermore, a correlation analysis on the data showed that a higher proportion of university-trained scientists in the senior management of smaller sized companies meant a greater likelihood of having contact with universities. Furthermore, small firms generally employ fewer (if any) technical graduates than do their larger counterparts.

Working conditions

Trade and labour market policies are continuously being discussed and reformulated (OECD 1995b). As the OECD experts review, policy choices are best
discussed in terms of explicit, workable goals and they propose to start with the following two: 1) Facilitating and expanding mutually beneficial trading opportunities and 2) Enabling workers to achieve higher real earnings at the fullest possible level of employment while maintaining basic workplace rights. It should be remembered, as the same experts state, that these are not primary economic objectives. They are, rather, means toward an objective pursued by many national and international development agencies: raising the material standards of living for the world's people (OECD 1995b).

The European Union's Social Charter, approved by all of the EC Member Countries except the United Kingdom, specifies a list of worker rights (which, because they are voluntary, might better be viewed as "targets"): 1) Freedom of movement, 2) The right to employment and remuneration, 3) The improvement of living and working conditions, 4) The right to social protection, 5) The right to freedom of association and collective bargaining, 6) The right to vocational training, 7) The right of men and women to equal treatment, 8) The right of information, consultation, and participation, 9) The right to health and safety in the workplace, 10) The protection of children and adolescents in employment, 11) The protection of elderly persons and 12) The protection of persons with disabilities.

However, standards like these are unattainable for most of the world's people. In the spirit of aiming for something that is both attainable and enforceable in every country, a set of basic labour rights for workers throughout the world has been proposed: 1) No person has the right to enslave another or to cause another to enter into indentured servitude, and every person has the right to freedom from such conditions, 2) No person has the right to expose another to unsafe or unhealthy working conditions without the fullest possible information, 3) Children have the right not to work long hours whenever their families' financial circumstances allow, and 4) Every person has the right to freedom of association in the workplace and the right to organize and bargain collectively with employers.

Such labour rights are essential for assuring fundamental human rights and they should, therefore, be adopted around the world as soon as possible. These rights are basic to all people.

Along similar lines there is good reason to look at the prevailing working conditions in modern European firms.

According to the European survey on the working environment (ESWE), the proportion of employees working under unsatisfactory conditions is clearly highest in agriculture (51.0 %), the construction industry (46.0 %) and transport (38.0 %). All three sectors suffer from physical constraints, with long working days being the particular lot of agricultural employees, while those working in the transport sector are burdened with night work and little independence of action (EUROSTAT 1995). Frequently these sectors comprise various SMEs.

Based on the same statistics in the European Union in 1992 employers and the full-time self-employed have much longer working weeks than employees, which very often exceed 50 hours. Broken down by sex, the highest figures are for men in Ireland (58.1 hours) and for women in Luxembourg (54.5 hours). In this category of employers and full-time self-employed, men always have longer working weeks than women. Respectively, the average working week for full-time employees is 40.3 hours. Almost one half of all employees (48.3 %) work less than 40 hours, 32.1 % work 40 hours and 19.6 % more than 40 hours per week (EUROSTAT 1995).

There are 8,000 deaths due to occupational accidents each year. The sector of activity most affected is agriculture, where the rate of mortality per 100,000 people employed is approximately 13, contrasted with approximately 8 in industry and 3 in the services sector [COM(1995)282final]. The reported rates, although based on systems that differ in definitions and coverage show considerable variations between countries. About one in ten of the 150 million workers in the Community suffers an industrial injury or an occupational disease every year. Compensation payments for occupational accidents and diseases cost an estimated 27,000 million ECU per year, to say nothing of the indirect costs, which are difficult to quantify precisely but which are certainly extremely high (it is said that the hidden costs such as damage to machinery or loss of production are 3 to 5 times the direct costs (EC
1995d). In 1992, the direct costs represented approximately 4.6% of employer social security contributions.

Common conditions include accidents, hearing impairment, chemical poisoning, ergonomic problems (especially back pain) and psychological stress. Health promotion in the workplace on forms of health-related behaviors, including smoking, drinking and exercise, will benefit both employers and the population in general. Occupational health services are available to only 50.0% of employees and are generally not provided to employees of small enterprises [COM(1995)357final]. To look for detailed facts behind these lump figures, for example, about one third of the building companies had activities aimed at maintaining the working performance and preventing diseases of the locomotor system as well as enhancing the general well-being. One fourth of the same companies in the study had never heard of such terms or activities (Manninen 1994a). For half of all (metal, building and service) companies in Central Finland the last contact with occupational health personnel or employment authorities had taken place years or at least several months ago. For two thirds of the same companies the last contact to labour inspectors or some other related expert had also taken place years or months ago (Manninen 1995b).

Danish data indicates that the incidence of enterprise level health and safety organizations increases steadily with enterprise size. Thus, larger enterprises are more likely to have formalized procedures to deal with issues of health in the workplace. This reflects the familiar economies of scale present in the larger organization (see also Henry 1995). Smaller enterprises do not have the resources to devote to these issues and workers in them are less likely to be organized to raise issues with management.

As a Finnish study (Manninen et al 1993) showed, in particular young companies that are just starting their operation often deliberately risk safety and health in the pursuit of maximum results. The only thing that matters is getting the products completed. Many of the interviewees thought that the possibility of an entrepreneur or an employee getting ill or handicapped in an accident is consciously disregarded. People just do not care to think that a serious disease or handicap could make the whole business meaningless. The continued existence of ergonomic problems is maintained not only by the overemphasis of results but also by the problems in management and working procedures. Both entrepreneurs and employees in small companies that are just getting established are particularly loaded by the excess of work tasks, lack of time for development and the number of things to be borne in mind.

Belgian data for 1989 moreover indicate a rather different picture, with accident rates actually rising from 35/1000 in micro enterprises with 0-4 employees to a peak of 64/1000 in enterprises with 50-99 employees and thereafter falling to the mid-forties in large enterprises (i.e. 500 and more employees). Thus the aggregate statistics indicate no clear trend with size to safety at work in Belgian industry. Once again, there may be sectoral influences operating here which explain the pattern.

In Spain available evidence indicates that 63.0% of accidents occurred in establishments with less than 50 employees. Also, the incident rate is twice as high amongst women as men and increases with worker age. Thus enterprises with an older workforce can be expected to have higher accident rates than those with younger.

There is also, as might be anticipated, an important sectoral dimension (a in Endnotes) to the problem: rates are highest amongst Spanish industry and construction sectors and lowest in the primary and service sectors. Since a high proportion of small enterprises are located in the latter, the overall statistics clearly reflect these sectoral features (ENSR 1995). To serve as example for this, the results obtained from Finnish building companies (Manninen 1994a) showed that every building company reported one or more accidents during the year 1993; every fifth company had one accident and every tenth had two or more accidents. In spite of the economic recession in the Finnish building industry and the active operation of labour protection and occupational health care the sector seems to be dangerous in the light of the results.

Furthermore, the United Kingdom data for manufacturing industry indicates that accident rates per 100,000 employees decline steadily with
enterprise size after the 1-9 employee size range. The highest rate occurs in the size band 20-49 employees, and the lowest in the band 1-9. The very largest enterprises (1,000 employees and more) have a rate of some 115 per 100,000 employees. However, these statistics should be interpreted with caution, since they do not cover the service industry sector.

Working roles and exposure profiles

In small workplaces working roles have disappeared, and everyone is involved in various tasks, employees and managers alike. In a small metalworking company, for instance, during one workday the tasks may vary greatly and include welding, cutting, polishing, assembly and painting. Switching tasks means that the employee is subjected to various physical, chemical and ergonomic factors related to the tasks. Depending on the product, work method and duration of the work stage, the employee is exposed to a number of dissimilar factors (such as welding gases, dust and noises) and similar factors (such as vibrations and noises) and their combinations [such as noises, smokes, welding gases, radiation (light arc, UV) and lifting]. The exposure is repeated or one-time. The variation in the tasks in small workplaces also imply variation in the employees' exposure profiles (Manninen et al 1993).

The same phenomenon can also be observed in transportation, installation, project and building sites, where one team takes care of all required tasks and is responsible for the completion of the project either as a multi-tasking project or as an overall project. Consequently, the most important and typical exposure combinations (which are traditionally completely overlooked in the assessments of risks) that affected the subcontractors and the work during various work stages comprised the single factors like stone dust, heat/cold, weather conditions, noise, tidiness, order, working postures, working at high places and cooperation with others. To clarify, for example, HVAC installation may subject employees to a combination of work-environmental factors of noise, weather conditions, working at high places or of thermal conditions, welding fumes, working at high places, lifting and cooperation with others. In work hygienic and ergonomic chartings and workplace assessments more attention should therefore be paid to simultaneous combinations of environmental factors (Manninen 1994a; see also (v) in Endnotes).

In parallel, a Danish study (Vinzents et al 1993), which was conducted in small wood and furniture companies (employees less than 9, 10-19 employees, 20 or more employees), showed that 4 out of 6 combinations of 2 simultaneous exposures were statistically independent. The frequency of four simultaneous exposures exceeding the occupational exposure limits (OEL) showed that only 13.0 % of the employees were simultaneously exposed below the limits for all four exposures. If the measurements were categorized as single exposures, 58.0 % of the employees would have been exposed below the OELs. In the study the four simultaneous exposures were concentration of wood dust, noise dose, single lifts and total tonnage lifted per day.

There are many other hampering work-related factors depending on the sector or branch. For example, in the tourist industry, which is based mainly on supplying services in discontinuous periods of time alternating with activity in the other economic sectors, working and employment conditions are very specific. They involve, for example, seasonal work, weekend working and long working days, with all these factors having repercussions on each other. In particular, the seasonal nature of the work, which means that employment is precarious and a factor in the instability of incomes, tends to produce a distribution of work throughout the year which is different from the usual pattern in the economy. These specific characteristics, together with the predominance of SMEs in the sector, no doubt explain, and in some cases are the reason for, the disproportionate employment of particular categories of labour in the tourist industry, i.e. between 45.0 and 65.0 % of the staff are females, there are many young people and many staff members with few or no qualifications [COM(1995)97final].

One should not neglect either the fact that maintaining and being in charge of one's own company is not limited to certain regular working hours. Long working hours are a "privilege" of every entrepreneur.
State of awareness

In the area of health and safety, there is mounting evidence to suggest that health and safety awareness in small firms is generally poorer than in larger work units.

Small metal-working companies, for instance, do not differ from bigger companies by having a different set of risks. By contrast, the differences between small and big companies are reflected in small companies having a greater share of risks related to work and work environment. The persistence of risks in small companies is due to the limited skills, awareness and resources to eliminate them. More than half of the companies under the study regarded their own skills to implement changes and develop their work environment inadequate and wished to have external support (Manninen et al. 1993).

Bibbings (1995) has listed the following reasons for poor awareness: 1) The "lean" management structure of most small businesses leading to less emphasis on health and safety in comparison with other business priorities, 2) More informal approaches to management generally despite the growth of quality assurance systems (small firms do not tend to manage according to written systems), 3) Relative ignorance about sources of risk and the requirements of health and safety legislation, 4) Less formal health and safety training for both management and employees, 5) A largely reactive approach to health and safety issues (only taking action when things go wrong), 6) Failure to understand that small does not necessarily equal low risk, 7) Widespread non-membership of employer/industry organizations, and thus less access to health and safety information from industry sources and local networks, 8) A lower level of trade union organization and less workforce influence on health and safety (for example via safety representatives and safety committees), 9) Lack of easy access to appropriate health and safety services and advice (e.g. professional health and safety advisers, hygienists or medical staff), 10) Infrequent inspection by enforcing authorities, 11) In some cases, suspicion of or hostility safety and health executive and local authority inspectors, 12) Less direct experience of accidents and work-related ill health (although incidence rates may be higher), and 13) Poor appreciation of the potential costs of accidents and ill health and the relatively greater vulnerability of the small business to the effects of accidental losses.

Barriers to training

Training of managers and staff seems to be a weak point for SMEs. Apart from cost, which is always a deterrent, the numerous studies highlight various barriers to training among owners and managers of small businesses. It is very interesting that all revealed dissatisfaction with traditional training and educational methods.

The development of a small business is different to that of a large one because of the way that is grows and the problems that grow with it. With a larger business there is a management and financial structure that supports delegation of work, whereas in the small business there is often only the husband, wife and possibly a friend. Management development is seen as a luxury and even where the business is growing (too) quickly, there is a reluctance to ask for help and learn from others because of the inference that to ask for help shows that you are incapable or incompetent. This attitude, taken by many small business people, not only limits their own potential but also seriously affects the growth of their businesses and the potential of their employees.

For too long the attitude has also been that the training solutions for small businesses are just smaller versions of those needed by big businesses. This is clearly not the case. There is a need for a fundamental reappraisal of training in small businesses and a real recognition of their role and potential in the economy and society.

It is often overlooked by the people who propose new national or regional staff training schemes for small businesses that if the scheme is to be successful, then the boss of the business has to understand and approve it. There is also the problem that no boss is going to train staff to be more competent than he/she is. New schemes should take this into consideration and should look at the training of the boss. As Burns (1992b) states, millions of pounds of governmental money have been spent trying to improve training of the employees when it would
have had more impact and more value addressing the whole issue of the training of the boss.

Among SME managers, the failure to understand the piles of new, complicated business legislation also creates a feeling of inadequacy and frustration that reinforces their own concepts that they are ignorant or stupid (e.g. Sutton 1988, Gibb 1990, Harvey 1992, Burns 1992a,b; Manninen et al. 1993, Jansen and van Wees 1994, Smith and Morphey 1994, Murphy and Young 1995, Whittaker 1995).

With regard to the barriers and the attitudes the authors, for instance, have listed the following:

1) A lack of time. Most courses are held during the daytime, and neither owner-managers nor their staff can afford to take time off from the job. Evening courses may be one solution, but a commitment to attend every week is impossible or impractical in many cases,

2) The conventional classroom approach is that the timetable is rigidly controlled by the trainer as is the pace of learning during the day within a framework constructed by the trainer. The trainer is a supplier of learning. Such a stance may create difficulty with owner-managers who are used to learning-by-doing and who may have very different levels of existing understanding. Owner-managers also may prefer much flexibility,

3) A strong aversion to returning to a classroom environment. Many managers have bad memories of their school days and consequently a low regard for the educational system. In their experience, at school the 'swot' was a figure of fun and derision, and paper qualifications were only of use to academics,

4) A reluctance to take part in group sessions where their competitors, their customers or even their peers may also be present. Not only do they not want to reveal confidential company information, but they do not want to expose their own personal weaknesses and lack of management skills,

5) Training is viewed as being irrelevant to the company's specific needs. Everyone believes that their problems are unique to them, and courses are seen as treating general topics in a broad fashion,

6) The lessons learned on training courses are theoretical, with an emphasis on paper qualifications, and would not be of any practical use in improving company performance. The owner-manager is very much concerned with practice,

7) To most business people paperwork - reading and therefore learning - relates to reading government forms, complying with new legislation and being forced to do things that they may not want to do. Reading and learning is therefore a skill that they do not like because it mostly reminds them that they are being compelled to do something that they may not understand or agree with,

8) Much of the training is delivered with the trainer dominating the classroom and the audience in a passive role except when questions are invited. This style of learning may be inappropriate to those who are used to learning by doing,

9) The language of much of business management technology is complex and written by those with professional qualifications for those with professional qualifications. This may be inappropriate to the small firm,

10) Many school-leavers are reluctant to be self-employed, particularly if it is family-run. And those that are may not be prepared to work as hard to learn a trade as required presently: "They (training courses) do not help me, so knowledge and qualification are only for those who will not become business proprietors. The logic is that Mom and Dad were not good at school and look where they are now; what was good for them is good enough for me".

What is needed is an occupational framework geared to improving skills and making the new trades better known. This means, in turn, adding to conventional forms of training such elements as communication, listening and counselling skills; familiarizing young people, women and workers undergoing retraining with the use of telematics; or protection of the environment. At the national level, there should be diplomas to certify successful completion of such training courses, and where appropriate, new qualifications or methods of rewarding new skills, should be developed [COM(1995)273final].

These approaches are laying the groundwork for innovative policies in human resource management. These are thought to lead to the establishment of coordination between the different actors (managers in charge of methods, manufacturing, of human resources) leading to the design of better adapted
technical and organizational systems, anticipating any possible clashes between people and their work.

**Policy of European Union**

**Objectives and guidelines**

Recent efforts to assist SMEs and to promote new business formation have been stepped up with, in June 1993, the Council of Ministers adopting a multiannual programme of measures to intensify the priority measures for enterprise policy and to ensure the continuity and consolidation of enterprise policy in order to encourage the Europeanization and internationalization of enterprises, especially SMEs. The programme includes amongst its specific objectives the improvement of the administrative, legal and financial environments for enterprises, the need to improve cooperation between enterprises via networks and databases, encouraging enterprises to adapt to structural changes and to changes brought about by the internal market, and ensuring EU initiatives and policies give full consideration to the interests of enterprises (Nugent 1994).

The Copenhagen European Council in June 1993 invited the European Commission to present a white paper on a medium-term strategy for growth, competitiveness and employment. The White Paper draws in large part on the contributions from the Member States.

The White Paper set out to foster debate and to assist decision-making - at decentralized, national or Community level - so as to lay the foundations for sustainable development of the European economies, thereby enabling them to withstand international competition while creating the millions of jobs that are needed [COM(1993)700final].

Especially, progress is needed around small and medium-sized enterprises. While these companies are a model of flexibility for big companies, they are also increasingly a factor of competitiveness as a result of farming-out and subcontracting. Hence the measures taken on the initiative of big companies to galvanize their suppliers and clients. However, the "demography" of SMEs, i.e. their birth, growth and regeneration, is also a matter of national policy.

In some countries it will be necessary to adapt their tax systems, rights of succession and access to equity and simplify inter-company credit regulations and practices. While most of the work has to be done at national level, the Community, for its part, must help to fit SMEs into the dynamics of the single market. The immediate task, therefore, is to work towards simplification and information. It is clearly more difficult and relatively more costly for SMEs than for very large firms to find their proper place in the globalized economy, to have access to world technological capital and to avail themselves of the most sophisticated management techniques and business services (e.g. COM 1990, 1993; Carree and Lever 1994). The policies in support of SMEs must, therefore, take account of these new constraints and be strengthened accordingly.

So as to establish the bases for such a policy of global competitiveness and ensure that its positive effects on employment come through as rapidly as possible, the Commission proposed that the European Council adopts the following objectives and guidelines:

1) Government intervention in industry must be refocused on horizontal measures and on growth markets where there is strong potential for European industry to develop, such as health, the environment, biotechnologies, multimedia activities and culture. This also means that precise and short-term deadlines should be set for restructuring activities whose development prospects are not satisfactory in terms of markets.

2) The machinery and criteria for government intervention that creates conflict between the promotion of industrial competitiveness and job creation must be reviewed. In doing so, the tax burden must be redistributed so as to lighten the burden on labour and increase the burden on the use of natural resources. The criteria for granting public assistance must be reviewed so as to take better account of values added and so as not encourage an unjustified increase in the capital intensity of production. The regulatory framework must be transparent, stable and predictable.

3) The promotion of non-physical, knowledge-based investment must be made the top priority of the general policy in support of investment. Training, research and know-how in general must be treated as
proper targets of investment in their own right. The necessary consequences should be drawn notably as regards changes in tax and accounting interests.

4) A dynamic policy of industrial cooperation must be set in motion, starting with the countries of Eastern Europe and with the Pacific area. The details of such a policy must be established as a matter of urgency in collaboration with the private-sector and public-sector operators concerned, on the basis of clearly identified mutual and reciprocal interests.

5) Measures must be taken shortly to strengthen the competitive functioning of markets. A European approach should be developed that takes account of the proliferation of strategic alliances, particularly in the field of competition, so as to prevent the development of dominant positions at world level. Machinery for pinpointing problems in the functioning of markets and for assessing their industrial implications must be set up so as to identify and tackle rapidly the obstacles facing European firms against the backdrop of global competition.

6) The coordination of moves to facilitate a revival in consumption and reinforce the interaction between changes in supply and demand at both international and Community level must be strengthened. Priority should be to employing all the resources available, and in particular structural policies, in order to speed up the development of clusters of competitive activities that draw on the Community's regional advantages. The networks for collaboration between operators (SMEs and large firms, producers and user, public and private actors) must be improved along multidisciplinary and multisectoral lines. Lastly, there must be an European policy on quality that complements the standardization and is geared to promoting activities with a high value added.

Efforts to employment

One issue that is understandably receiving increased attention is unemployment. Unemployment in OECD Europe has been especially high, reaching almost 21.0 millions or over 10.5% of the labour force in 1994, and may still be close to 9.0% in 2000 in the absence of further structural reforms. The burden is unevenly spread across the labour force: young people face a much higher risk of unemployment than do adults and the long-term unemployed account for 40.0% or more of total unemployment in many countries. Some countries also face the problem of various regional differences in unemployment (OECD 1995a). In addition to live in misery and want without having a vision of better future, unemployment may sustain another kind of human tragedy: studies in the US have shown that 1.0% increase in unemployment over a period is correlated with 19,000 more deaths by heart attack and 1,100 suicides (Harrold 1995).

SMEs are seen the main source of new employment opportunities in western countries. That is why, the Commission has dedicated considerable effort to employment. Although the unemployment rate remains undeniably a cause for concern, it is a mark of success that the Member States have taken account of the global approach outlined by the Commission to promote job creation and industrial competitiveness. The five policy recommendations approved by the European Council in Essen for improving the employment situation in Europe, particularly for small businesses, require joint action on the part of the Commission and the Member States [COM(1995)513 final].

Member States should address existing barriers to maximizing the job creation potential of SMEs and areas of new employment growth and activity by a range of measures aimed at anticipating and accelerating SME and new jobs growth. In terms of SMEs, these could include measures to:

1) Facilitate and maximize participation of SMEs in the common internal market by strengthening their competitiveness regarding such issues as their access to finance, to information sources, to the results of research and development, and to training, including support through the new European Social Fund (ESF) objective 4 (g in Endnotes). One of concrete initiatives is also the Round Table (t) with the participation of bankers from banks in the 15 Member States (EU15) actively involved in the financing of SMEs and a number of leading European SME organisations.

2) Identify and review those financial, fiscal, administrative and legal constraints which fall disproportionately on small and medium-sized firms in order to avoid such measures inhibiting the growth
of employment. Small businesses are important as creators of new jobs but they have the least capacity to pass on costs, because they have little market power, and the highest cost of coping with regulation, due to lack of specialist staff.

3) An important part of SME development, and the generation of new jobs concern the best uses and development of women's work in ways that improve job creation and fight inequality between women and men. Women's full integration in the labour market is expected to create jobs in the provision of services and goods not yet integrated in the market and currently being provided by either unpaid women's labour or paid informal women's labour.

Simplification measures

Although 70.0% of private sector jobs are created in SMEs, it is these firms which are worst affected by administrative complexity and the high level of charges on labour: firstly, it would be seen that, in the case of small firms, it is the high level of charges rather than net wages that triggers a psychological reaction against the idea of recruiting labour; secondly, however justified they may be, controls, forms and checks have to be multiplied by the number of administrative departments involved and are viewed as an additional labour cost. This extra burden seems all the more onerous when it has to be borne by someone not familiar with such matters and when it relates to only a small number of jobs.

Several types of tax measure could, therefore, assist SMEs:

1) Administrative tasks could be simplified: the creation, for all statutory charges, of a single department with which to correspond would be an improvement,

2) SMEs that were not limited companies could opt for taxation at the relevant rate of corporation tax and not, as now, in accordance with income-tax scales,

3) External financing could be promoted by eliminating double taxation of venture-capital companies,

4) The survival of SMEs could be assured by preventing taxes levied on transfers of businesses - particularly cross-frontier transfers - from jeopardizing their existence.

Implementation of White Paper

The Integrated Programme for SMEs and the craft sector puts into concrete form the objectives outlined in the White Paper both in the short term (identifying and alleviating the constraints of a tax, social security, administrative, financial or other nature that hamper the establishment or continued operation of SMEs), and the medium term (supporting cooperation between enterprises, improving the quality of management, supporting the development of firms with a high growth potential, and supporting the employment growth in service SMEs). The programme will assemble these various initiatives, existing and new, into a global framework to ensure their coherence and visibility. It proposes a closer partnership between all parties concerned with the development of SMEs - at Community, national and regional levels - with a view to enhancing the convergence of these measures [COM(1994)207final].

The main innovation in the approach adopted is to urge the Member States, and all those involved in the development of SMEs, to ensure that their measures in support of SMEs fit in with current economic and political objectives, thereby giving them a higher profile and making them more coherent, without necessarily changing the underlying legal basis. The European Union should encourage such a development by providing a suitable framework for concerted action and ensuring that the Community instruments based on various provisions of the treaty form part of mechanisms of such a programme.

The Integrated Programme therefore provides for two different types of measure:

1) Measures to promote mutual consultation between Member States and joint coordination wherever necessary in order to improve the enterprise environment through administrative simplification so as to relieve the burdens on enterprises and free their job-creation potential and stimulate the enterprise support measures which exist at national or regional level,

2) Identification of the contributions which the Community plans to make towards the development
of enterprise, both in their legal and fiscal environment, and in more direct support measures through the policies it conducts under various provisions of the treaty.

The synoptic Table 1 sets out the Integrated Programme. Since the Integrated Programme was adopted, the Commission has reaffirmed the contribution of small and medium-sized enterprises to providing more employment, in its White Paper on European Social Policy [COM(1994)333final] and also as part of the work on new areas of employment and local development initiatives. In addition, it has emphasized the role of SMEs in the development of the information society [COM(1994)347final] and of industrial competitiveness policy of the European Union [COM(1994)221final]. The aim of coordination between the different Community programmes is, on the one hand, to ensure that the SME dimension is integrated into the definition and implementation of Community policies so that better account can be taken of the individually of SMEs and, on the other hand, to increase their involvement in Community programmes.

Research projects and experimental applications must be moved from the laboratory into real life in order to create new markets and new job opportunities. The Corfu Summit endorsed the application areas proposed by the Bangemann group as teleworking, distance learning, a network for universities and research centres, telematic service for SMEs, road traffic management, air traffic control, health care networks, trans-European public administration network, electronic tendering, and city information highways [COM(1994)347final]. In connection with the implementation of the integrated programme for SMEs, and with the collaboration of appropriate local institutions, the Commission will stimulate the creation of telematic networks to reinforce the partnership relations between SMEs and between SMEs and large enterprises. In parallel, new services such as diffusion of new technologies, partnership research, training, legal support, as well as a new culture of cooperation and partnership between enterprises will be promoted, notably by the development of advisory agencies [COM(1994)347final].

As far as user awareness of best practice is concerned, mechanisms will be established to exchange best practice in the use technologies, concentrating on the business and public service domains, and giving special attention to the needs of SMEs. For the full employment creation potential of SMEs to be exploited, it is essential that the best practice be shared and adopted throughout the Member States (see also Experimental cooperation on the local level below). This would involve the Member States, industry and user associations, chambers of commerce, local and regional government, and local organisations [COM(1994)347final]. In view of the importance of this subject, the European Council in Cannes, in June 1995, asked the Commission to report on current policies in favour of SMEs and on ways to improve them.

In the context of its policy of economic and social cohesion, the Union has at its disposal in the Structural Funds a very significant financial instrument that can strongly support this process. The Structural Fund must increasingly make a carefully targeted contribution to the development of a skilled, adaptable and mobile workforce. The development of human resources is a fundamental component of the Union's strategy for growth, competitiveness and increased employment [COM(1994)333final]. The Commission will seek to ensure through the monitoring Committees that sufficient account is taken of the needs of the information society when selecting projects to be financed. In addition, the Member States will be able to include appropriate measures within the draft programmes to be submitted under the SME initiative.

As a part of its enterprise policy, the Commission assists the development of SMEs through the business information network (the Euro Info Centres; see also Appendix notes), the transnational cooperation networks and programmes (the BCCUNET, the BCC (Business cooperation centres) networks, the Europartenariat (i) and Interprise (k) programmes and the measures in favour of subcontracting) and pilot schemes (Euromanagement, Venture/Seed Capital, Commerce 2000) aimed at improving SME management, financing and know-how. Most of this action is being taken in direct cooperation with other Commission services. The new financial instruments put in place following the
Table 1. Integrated programmes in favour of SMEs [COM(1994)207final]

### 1.1. CONCERTED ACTION

<table>
<thead>
<tr>
<th>Objective</th>
<th>SME Environment</th>
<th>Contents</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the administrative environment</td>
<td>New measure:</td>
<td>- Group on Administrative Simplification</td>
<td>-</td>
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</tbody>
</table>

### 1.2. CONCERTED ACTION

<table>
<thead>
<tr>
<th>Objective</th>
<th>SME Environment</th>
<th>Contents</th>
<th>Financing</th>
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</thead>
<tbody>
<tr>
<td>Stimulating measures in favour of SMEs</td>
<td>New measures:</td>
<td>- Forum on services to assist enterprises - Stimulating demand</td>
<td>-</td>
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</tbody>
</table>

### 2.1. COMMUNITY CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Objective</th>
<th>SME Environment</th>
<th>Contents</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the administrative environment</td>
<td>Measures being taken:</td>
<td>- Business impact assessment system</td>
<td>SME Multiannual Programme</td>
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<tr>
<td></td>
<td></td>
<td>- New measure:</td>
<td>SME Multiannual Programme</td>
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<td></td>
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<td>- Cost benefit analysis</td>
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<tr>
<td>Improving the legal and fiscal environment</td>
<td>New measures:</td>
<td>- Examine existing legislation</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td></td>
<td>- Transmission of enterprises</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td></td>
<td>- Fiscal environment</td>
<td>SME Multiannual Programme</td>
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<td></td>
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<td>- Late payments</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td></td>
<td>- Local Services</td>
<td>SME Multiannual Programme</td>
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</tbody>
</table>

### 2.2. COMMUNITY CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Objective</th>
<th>SME Environment</th>
<th>Contents</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving access to finance and credit</td>
<td>Measures being taken:</td>
<td>- SME access to financial instruments:</td>
<td>SME Multiannual Programme</td>
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<tr>
<td></td>
<td></td>
<td>i.e. venture capital, mutual guarantee schemes, secondary markets</td>
<td>4th Framework Programme RTD</td>
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<td></td>
<td>New measures:</td>
<td>SME Initiative</td>
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<tr>
<td></td>
<td></td>
<td>- capital markets</td>
<td>EIB + EIF + SME Initiative</td>
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<tr>
<td></td>
<td></td>
<td>- private capital for RTD</td>
<td>Structural Funds and EIB Global Loans</td>
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<tr>
<td></td>
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<td>- New financial engineering instruments</td>
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<td></td>
<td>- Round Table: analysis and follow up</td>
<td>-</td>
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<td>- Improving intervention measures of Community instruments</td>
<td>-</td>
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<tr>
<td>Cooperation</td>
<td>Measures being taken:</td>
<td>- Partner search networks (BC-NET, BRE)</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td></td>
<td>- Direct partnership: Europartemarist, INTERPRISE</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td>- Sub-contracting: market transparency and pilot projects</td>
<td>SME Multiannual Programme</td>
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<td></td>
<td></td>
<td>New measures:</td>
<td>- Support after initial partnership contact</td>
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<td></td>
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<td>- enterprise networks</td>
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<td>- production and distribution networks</td>
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<td>- sub-contracting: trade shows, promotion centres, networks, quality strategy</td>
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<tr>
<td>Management Quality, adapting SMEs to structural changes and to the Internal Market</td>
<td>Measures being taken:</td>
<td>- Support pilot project, similar to EUROMANAGEMENT</td>
<td>SME Multiannual Programme</td>
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<tr>
<td></td>
<td></td>
<td>- Small enterprises, craft, retail, social economy</td>
<td>SME Multiannual Programme</td>
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<td></td>
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<td>- Creators and young entrepreneurs</td>
<td>SME Multiannual Programme</td>
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<td></td>
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<td>New measures:</td>
<td>- Intermediaries potential for assistance</td>
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<td></td>
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<td></td>
<td>- Support for SMEs with growth potential (stimulate pilot projects)</td>
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<td></td>
<td>- Assistance for managers and for workers threatened with industrial change</td>
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<td></td>
<td></td>
<td></td>
<td>- Training</td>
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<tr>
<td>Other actions</td>
<td>Measures being taken:</td>
<td>- Development and improvement of R&amp;D network</td>
<td>SME Multiannual Programme</td>
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<tr>
<td></td>
<td></td>
<td>New measures:</td>
<td>- Improved access to RTD</td>
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<td></td>
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<td>Information Society and SMEs</td>
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<td></td>
<td>4th Framework Programme RTD</td>
<td>SME Initiative</td>
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</tbody>
</table>

**Principal Sources of Finance**
- Multiannual Programme for SMEs 1993-1996: Ecu 112.2 million
- Community Initiative for SMEs 1994-1999: Ecu 1 billion
- Objective 4: ADAPT Initiative 1994-1999: various projects for SMEs within Ecu 1.4 billion allocation
- Structural Funds 1994-1999: Community Support Framework and other Community Initiatives
- 4th Framework Programme RTD 1995-1999: various projects for SMEs within Ecu 12.3 billion allocation
- EIB Global Loans: Ecu 1 billion for SME competitiveness
- Interest rates (2%): Ecu 45 million for 1994 - Ecu 22.75 million for 1995
- EIF: Ecu 2 billion for loan guarantees with future possibility of direct participation.
Edinburgh and Copenhagen Councils - subsidized EIB loans for job-creating SMEs and European Investment Fund guarantees for SMEs - are now in place [EC (1994a,c); see also OJ 400/1, 385/14, 144/3, 127/19].

The implementation of the 4th Framework Programme for Research and Technological Development should see an appreciable increase in participation by SMEs, notably through the introduction, across 10 programmes, of technological stimulation measures for SMEs and a budget of ECU 700 million for SMEs. Over and above these measures, SMEs can also participate in other actions not specifically earmarked for them in the programmes. New simplified procedures for the submission and evaluation of the SME proposals have been put in place [COM(1995)362final].

In the field of vocational training, the new Leonardo programme, with a budget of ECU 620 million for 1995-1999, comprises actions targeting SMEs, in particularly to allow them to acquire qualifications and skills to adapt to industrial changes, the evolution of systems of production, and the spread of new technologies. It also targets management training for SMEs, language audits and new training methods in SMEs. Taking up several earlier programmes in a single programme, Leonardo contributes to simpler presentation of actions that can benefit SMEs.

European Social Fund (ESF)

Furthermore, the Commission has given its principal approval to most of the programming documents relating to Objective 4 [COM(1994)510final]. In giving priority to investment in human capital, operations supported under Objective 4 are fully in line with the perspectives and priorities set out in the White Paper on Growth, Competitiveness and Employment. In terms of objectives, both the framework regulation on the Structural Funds and the regulation governing the ESF implicitly require operations under Objective 4 to address "the underlying causes of problems relating to industrial adaptation", to generate a more competitive economy and to develop the quality of the workforce by way of education and vocational training. Among the priority action areas identified by the Member States in the follow-up to the White Paper, special mention is made of improving education and training systems, reorganizing working patterns in companies and improving flexibility in firms and on the labour market reflecting a convergence between the measures envisaged in the Objective 4 programming operation and the follow-up to the White Paper in the Member States. As regards the actual means, the idea of anticipating need as part of a preventive policy, strengthening continuing training, developing appropriate training systems, developing cooperation structures between the various players in the fields of education and training, and paying particular attention to small and medium-sized businesses are all consistent features throughout the White Paper and constitute priority actions under Objective 4 (see also g in Endnotes).

By strengthening non-material investment, measures under Objective 4 constitute one of the principal means of boosting the overall competitiveness of the economy, helping to achieve a better match between technological progress and labour force skills and qualifications. At European level, social policy has an essential role to play in this process of change. The White Paper on European Social Policy - A Way Forward for the Union, seeks to set out the main approaches to action in this area at European Union level in the years to come. One of the main priorities of this White Paper is the creation of jobs and investment in high-standard labour.

The Commission will specify further the actions to take under the framework of next program in favor of SMEs and the crafts sector (1997-2000) and will accompany that with a financial proposal.

Innovative actions for regional development

European Regional Development Fund (ERDF) is the principal Community financial instrument pursuing the objective of economic and social cohesion within the European Union. Between 1994-1999 it is to place ECU 70 billion at the disposal of Member States to contribute to a reduction in disparities between the socio-economic development of the regions of Europe (EC 1995a).

The main part of ERDF funding is mobilized to finance programmes implementing development
strategies decided between the Member States and the European Commission in the Community Support Frameworks and the Single Programming Documents. These programmes can intervene exclusively in the zones declared eligible in the Objective regions of the Structural Funds (i.e. Objective 1: structural adjustment for regions whose development is lagging behind, Objective 2: economic and social conversion of industrial areas in decline, Objective 5b: diversification of vulnerable rural areas, Objective 6: development of sparsely inhabited regions). In most objective 1, 2 and 5b regions, SMEs have been responsible for either an aggregate increase in employment or an aggregate decrease less acute than that of large enterprises [COM(1995)465final].

A little under 10.0 % of ERDF funding finances programmes that support the Community initiatives launched by the European Commission (Interreg, Leader, Regis, Rechar, Resider, Retex, Konver, SME, Urban, Pesca). These programmes are also principally carried out in the areas and regions eligible under Objectives 1, 2, 5b and 6.

The first innovative actions were launched over the period 1989-1993, enriching community regional policy with a series of new approaches. Themes such as spatial planning (document Europe 2000+), cross-border cooperation, cooperation networks between towns and regions (Pacte, Recite, Ecos and Ouverture) and issues relating to urban problems have all been studied or experimented with practically in order to influence the design of certain regional programmes.

The innovative nature of these actions lies not just in their objectives but also in the types of partnerships that they foster through bringing together local and regional authorities as well as a wide variety of economic and social actors. For the new period (1995-1999), the Article 10 budget is around ECU 400 million for actions that will be grouped around four themes (i.e. inter-regional, intra and extra community cooperation, innovation for local and regional development, spatial planning and urban policy). It is based on an assessment of the past period (1989-1994), which has to take account of the goals sought: the creation of the conditions required to develop direct, decentralized cooperation based on the genuine application of subsidiarity and offering to every level of responsibility the resources to cooperate, to access economic innovation and to contribute to its dissemination.

More than any other Community policy, regional policy presupposes that not only the Member States but also the regional and local authorities will play their full part. From this stems a mutual learning process and the exchange of experience between local authorities in regions at different levels of development by exploiting complementariness and synergy wherever possible. These actions should also contribute to the emergence of methods of regional economic development which will enable those involved on the ground to exercise their responsibilities fully through partnership. In this way, inter-regional cooperation and innovative actions help to strengthen economic and social cohesion.

**Phare, Tacis, Med-Invest, A1-Invest and Ecip programmes**

Concerning international cooperation, coordination between enterprise policy and the cooperation programmes with third countries like Phare, Tacis or Med-Invest has allowed these countries to benefit from acquired expertise as regards enterprise policy as well as existing intermediary networks and European SMEs to be better informed of opportunities on offer in third countries thanks to Community programmes.

Phare is the European Community’s particular effort to support the ongoing process of economic of central and eastern Europe by providing financial and technical support in key-areas to the respective governments’ actions for creating the conditions for a market-oriented economy based upon private ownership and initiative [COM(1992), and COM(1995)362final].

Before the recent political changes and economic reform SMEs hardly existed in central and eastern European countries. Since then, the private sector has emerged at an impressive speed in all the countries. The development of a strong and dynamic private sector capable of meeting the challenge of the market economy, and taking over and operating the productive capacity of the central and eastern
European countries (it is in Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary, Romania, Bulgaria, Slovenia, Albania) is a key element in the reform process. SMEs, both those which have been established since the changes and those which are the result of the privatization process, will be a major part of the private sector in the future, as they are in market economies throughout the world.

In 1994 the Phare Programme committed a total of ECU 963.3 million to its partner countries. This brings the total of commitments over the life of the Programme to ECU 4.2 million [COM(1995) 362final, COM(1995)366final].

The Phare Programme has therefore considered SME development as a priority from the beginning of the reform process. Assistance to small business development is indeed an integral and essential part of overall economic reform, alongside enterprise privatization and restructuring, financial sector reform and investment promotion. It also constitutes an essential element within an integrated approach to regional economic development (Mirel and Thompson 1994). Foreign investment also plays a crucial role in this process by providing technical and managerial know-how.

Within the framework of Phare, the Jopp programme (the Joint Venture Phare Programme) is helping private operators in the Community to set up new joint ventures with local partners or develop existing ones. The Jopp programme is aimed essentially at small and medium-sized enterprises from the European Community which wish to invest in joint ventures in the countries of central and eastern Europe. Jopp offers a number of different types of support for different stages in the creation and development of a joint venture in the countries of central and eastern Europe, from feasibility studies to training and technology transfer, including financing requirements in the joint venture. Furthermore, the programme is able to provide assistance for organizing events or seminars with the aim of promoting the creation of joint ventures in the countries of central and eastern Europe (COM 1994a).

Jopp initially had ECU 20.0 million available for the period 1991 - 1993 of which ECU 17.0 million directly benefit the SMEs. Although Jopp finance benefits all the countries of eastern and central Europe, Poland, the Czech Republic and Hungary are the principal beneficiary countries [COM(1995)362final].

The Essen strategy states that this integration will be supported by the European Union's Phare Programme which will develop on an indicative basis into medium-term financial instrument with improved possibilities to promote infrastructure development and intra-regional cooperation (EC 1994d). In practical terms, Phare will devote a greater proportion of its funds to the co-financing of infrastructure development projects, with the limit on its annual budget for this type of spending being lifted from 15.0 % to 25.0 % [COM(1995)366final].

Tacis includes a range of grassroots initiatives which support the establishment of small and medium-sized enterprises in the New Independent States (NIS) and Mongolia and to help them to prosper. SMEs are the main source of new employment opportunities in western economies. Similarly, in the coming years, SMEs will play a crucial role in the NIS as an important source of employment, offering the opportunity of replacing many of the jobs which have disappeared from the former centrally-planned enterprise sector. Tacis has set up a range of programmes to provide support and encouragement to the owners and managers of emerging enterprises.

Within the framework of Tacis, ECU 19.0 million had been allocated to support small and medium-sized enterprises in 1992, ECU 20.0 million in 1993 and ECU 12.0 million in 1994 which is ECU 51.0 million for these 3 years [COM(1995)362final].

Undertaken in co-operation with the emerging private sector in the NIS, the SME programmes include initiatives to establish SME support institutions throughout the NIS, provide policy advice on SME development to NIS national and local governments, enable key business people in the NIS to learn directly from their counterparts in the European Union and to directly assist selected firms in the NIS to develop their business (EC 1994e). In conclusion, there is steady and constructive cooperation between the Commission services in implementing the Tacis SME programme, which
enables the Commission services in charge of Tacis to benefit from the experience gained in the field of SME policy by the Commission services directly in charge of enterprise policy.

Med-Invest is a programme of support to cooperation for development of SMEs in Mediterranean third countries in association with European SMEs and professional organizations. Its objective is to promote an environment in Mediterranean third countries that is favourable to the development of SMEs and to the growth in their competitive capacity.

Al-Invest, the programme of industrial cooperation and promotion of investment in the Latin American countries aims to facilitate commercial exchanges, technology and know-how transfer and financing to the mutual benefit of Latin American and European enterprises.

Again, the principal objective of the Ecip programme is to facilitate the creation of joint enterprises in the eligible countries so as to contribute to their economic development. Ecip excludes multinational firms and makes it a condition that the joint enterprise includes at least one Community partner and a partner from the country concerned.

Synoptic Table 2 describes all the financial instruments, community programmes and SMEs [COM(1995)362final].

Local initiatives

In the context of the "active employment policies" advocated by the White Paper on growth, competitiveness and employment for local initiatives undoubtedly constitutes an interesting element from the point of view of the cost-effective use of budgetary resources. On the other hand, on the basis of the macroeconomic evaluation of the job-creation potential in three Member States (France, the United Kingdom and Germany), such encouragement could create, annually, an extra 140000 to 400000 jobs in Europe. This alone would bring us nearly halfway to the increase in the job-intensity of growth that would need if, as proposed in that White Paper, we were to halve unemployment by the year 2000. On the other hand, by satisfying a latent demand and remedying market imperfections and market failures, local initiatives do not harm international competitiveness; indeed, they open up new avenues for innovation by businesses and "social entrepreneurs" [COM(1995)273final].

In other words, as the Commission states, we now have a transferable approach to job creation, which is compatible both with competitiveness and with people's aspirations for better living and working conditions. Local initiatives are not the only way to create jobs in the future, but they complement other ways of increasing the employment intensity of growth as such, they feature among the "five points" of the conclusions to the Essen European Council.

Practical experience shows that, all too often, the conditions for the healthy development of local initiatives are simply not met. It follows, then, that national policies on local initiatives must concentrate on removing these structural obstacles and setting up a stable and coherent framework, and using horizontal measures for a start.

According to the Commission the main horizontal instruments for overcoming financial, technical, legal and administrative obstacles are setting up a different range of suitable financial instruments, improving training and qualifications to make the new activities more long-lasting, revamping the local framework and making provision for adequate administrative decentralization. The creation of local interactive communications networks between local authorities, administrations and local players is one of the most promising innovations offered by the information society (see h and z in Endnotes).

The European Union and the Member States have to join their efforts to raise awareness of the opportunities, difficulties and solutions of the new approach. In these respects, the added-value of the Union will be shown particularly, on one hand, in more support for really innovative work in new fields, and systematic European evaluation, which is useful in any case to start-up experiments, on the other hand, in dissemination and promotion of good practice in terms of development and job creation, via information and cooperation in transnational networks. Furthermore, many of the Union's policies and instruments can add strength to the national measures which favour this approach, in particular the structural policies.
Table 2. Financial instruments, Community programmes and SMEs [COM(1995)362final]

<table>
<thead>
<tr>
<th>Community Interventions</th>
<th>Amount allotted to SMEs (in ecm)</th>
<th>Number of SMEs</th>
<th>SMEs' participation rate across the projects as a whole</th>
<th>SMEs' participation rate in terms of the overall budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Instruments</strong></td>
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<tr>
<td>EIB - Global Loans 90-94</td>
<td>9.4 MM</td>
<td>36000</td>
<td>--</td>
<td>45% of financing allotted to industry and services</td>
</tr>
<tr>
<td>SME Facility - Global loans with interest subsidy 1994</td>
<td>1 MM (end April 1995)</td>
<td>2100</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>EIF (guarantees)</td>
<td>165 M</td>
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<td><strong>Structural Funds (94-99)</strong></td>
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<tr>
<td>ERDF (94-99) *</td>
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<td>--</td>
<td>10% on average</td>
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<tr>
<td>ESF (94-99) *</td>
<td>6 MM</td>
<td>--</td>
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<td>14%</td>
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<tr>
<td>EAGGF 5a (91-93)</td>
<td>705 M</td>
<td>--</td>
<td>65%</td>
<td>58%</td>
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<tr>
<td><strong>Community Initiatives (94-99)</strong></td>
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<tr>
<td>SME</td>
<td>1 MM</td>
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<td>100%</td>
<td>100%</td>
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<tr>
<td>ADAPT : 1.4 MM</td>
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<tr>
<td><strong>III Framework Programme for RDT (91-94)</strong></td>
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<tr>
<td>All programmes taken together:</td>
<td>1035 MM</td>
<td>6368</td>
<td>--</td>
<td>22%</td>
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<tr>
<td>of which Biote EuraT II</td>
<td>219 M</td>
<td>3427</td>
<td>56%</td>
<td>30%</td>
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<tr>
<td>and ESPRIT</td>
<td>459 M</td>
<td>1250</td>
<td>27%</td>
<td>31%</td>
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<tr>
<td><strong>IV Framework Programme for RDT (94-99)</strong></td>
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<tr>
<td>Specific measures in 12 programmes</td>
<td>700 M</td>
<td>--</td>
<td>--</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Vocational training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUROTECHNET (90-94)</td>
<td></td>
<td>46 projects</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>COMETT (90-94)</td>
<td></td>
<td>10000 (direct)</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>40000 (indirect)</td>
<td></td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>FORCE (91-94)</td>
<td></td>
<td>2250</td>
<td>73%</td>
<td></td>
</tr>
<tr>
<td><strong>International cooperation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHARE -SME (90-93)</td>
<td>320 M</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>TACIS -SME (92-94)</td>
<td>51 M</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>MED-INVEST (93-95)</td>
<td>12.2 M</td>
<td>--</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>AL-INVEST (93-95)</td>
<td>18.5 M</td>
<td>--</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ECIP (1994)</td>
<td></td>
<td>--</td>
<td>84%</td>
<td></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial instrument LIFE</td>
<td>17 M</td>
<td>43</td>
<td>--</td>
<td>38%</td>
</tr>
</tbody>
</table>

MM = 1000 Million

N.B: Since this table groups together Community interventions of different types (subsidies, loans, guarantees) covering different periods, the amounts listed cannot be added together.

* The figure shown is an estimate of SMEs' anticipated participation.
Because first tentative trials and new ideas are still young, delicate, and scattered, encouragements are given at Community level for starting new activity, in the business and in the social economy sectors. It is necessary to strengthen the work of the Structural Funds in this field by favouring first of all experiments and innovations, but also carrying out a systematic evaluation on how to develop better the potential of local development and employment initiatives.

Other existing actions could contribute to local development and employment initiatives, like the draft decision submitted to the Council "Community actions in the field of analysis, research, cooperation and action, for employment", which makes provision for the Union in particular to support local initiatives. Community initiative programmes and other help has already meant that the projects have joined up in information and cooperation networks. The Commission intends to step up aid for the constitution of networks between local development and employment initiative centres; it will supply them with the information on good practice which comes from the evaluation process. The European networks set up for the exchange of information will be encouraged to cooperate directly with a view to exchanging experience on the most tricky aspects of local initiatives, i.e. the installation of regional development agencies, services to SMEs, inter-regional cooperation, financial engineering mechanisms, the use of global grants and access to other Community policies.

Ergo, Leda, Spec, Lei, and Misep - activities

In a series of resolutions adopted since 1983, the Council has invited the Commission to promote the exchange of information and experience of the development of policies and practices about successful job creation experiences. With the active collaboration of Member States and the support of the European Parliament, the Commission has set up a series of policy-centred action research activities (Ergo, Leda, Spec, Lei, etc.) which have been developed alongside Misep (Mutual information system on employment policies) and are designed to assist the rapid transfer of good practice and know-how between all kinds of enterprise - small, medium and large - and localities - rural, industrial and urban - across the Union. During 1994, these different activities were carefully reviewed by the Commission in the light of the priorities set by the White Paper on Growth, Competitiveness and Employment, the need to secure value for money from Union-level actions and to streamline the machinery for policy interaction [COM(1994)333final].

Adapt, Employment, Leader - activities

In 1995 the Commission presented a communication rationalizing and streamlining the existing policy-centred action research activities referred to above, and designed to build a new cooperative framework for closer and more structured collaboration between Member States and the Commission with regard to employment and labour market policy. Account has also to be taken of the imminent launching of a series of new Community Initiatives, notably Adapt and Employment, as well as the second phase of other Community Initiatives such as Leader.

This cooperation will be designed to complement the scope and thrust of the Community Initiatives, and should focus in particular on such issues as the emergence of new jobs, the contribution of different kinds of enterprises to job creation, promising locally-based initiatives and partnerships, the switch from passive to active labour market measures, and the general encouragement of entrepreneurial activity to stimulate the creation of more SMEs. It will also consider initiatives to foster the entrepreneurial activities of women in the labour market and ways of encouraging increased employment opportunities for women and men in non-traditional occupations. It would thus underpin the systematic exchange of good practices and feed the results of its analysis into the overall process of cooperation in this field.

Nevertheless, by virtue of the principle of subsidiarity, and since SME policy bears on national and regional authorities, the Commission's role in coordinating the policies of the Member States (Article 130 of the Treaty on European Union) is confined to stimulating or even organizing and orchestrating mutual consultation and cooperation between them and the Commission with a view to
ensuring greater efficiency, visibility and a degree of convergence regarding the actions (Euro-Info 1995).

Economic growth and the environment

Ensuring economic development while protecting the environment at the same time is perceived as an important goal by 75.0% of the citizens of Europe (Eurobarometer 1995). This shows strong support for the goal laid down in the Maastricht Treaty (see also x in Endnotes), namely that the Union should achieve sustained and non-inflationary growth respecting the environment (Article 2 [COM(1995)465final]). Furthermore, Eurobarometer 1995 shows that 40.0% of EU citizens agree strongly and another 40.0% are somewhat that income tax and social security contributions should be lowered and made up for by an increase in taxes on goods and processes which damage the environment (such as ozone-depleting chemicals, wastes, transport, carbon dioxide, energy and pesticides).

Experience in several Member States shows that strong economic growth, protection of the environment and creation of jobs are possible at the same time. At local level, there is also great scope for stimulating economic growth, improving the state of the environment and creating jobs at the same time. Concrete initiatives have been taken already by several Member States in setting up pilot programmes giving environmentally friendly jobs and training to the unemployed. As outlined in the fifth Environment Action Programme, such policies will facilitate the structural modifications the European economy has to go through in the field of energy, transport, industry and agriculture.

This is a policy challenge. To a great extent it is new challenge to SMEs, too.

Further actions

Even though the Commission itself and the official European bodies have done lot of work and launched various programmes in favour of SMEs, the material available today gives a reason to highlight further actions and some areas of activity where more attention should be paid in the immediate future.

Renewing regulations

Past experience suggests that any policy that involves picking "winners" or selectively arresting failures from the SME population, will be wasteful and unsuccessful.

For this reason it is increasingly important that a SME policy should embrace a radical attempt to remove unnecessary government burdens on business (CE 1994). This is increasingly necessary (as the Council of Europe pinpoints) because these burdens have a tendency to accumulate exponentially, and all attempts to make reliefs into them have failed. Indeed, the complexity of the legal environment in which businesses operate has grown to the point where non-compliance, either through ignorance or inability, is so widespread (more so in some countries than in others) that respect for the law has been impaired. Some regulation is inevitable and necessary in modern societies, and although it is important to minimize unnecessary burdens, there is a wide consensus that health, safety and the environment are overriding priorities. Other types of regulation, for example some aspects of employment legislation and unnecessary complex taxation procedures, are not merely unnecessary but also counterproductive to their declared objectives (in these examples, protecting jobs and maximizing revenue).

As was already stated, the first need is for the devotion of fresh thought and imagination to the reduction of unnecessary burdens. The second is for greater co-ordination between government departments to ensure that unnecessary duplicated burdens are eliminated. Thirdly, some means need to be found of rationing the imposition of new administrative burdens on business. The impact statement procedure is a promising technique which deserves wider and more rigorous implementation in Europe; the US authorities have constructive experience of rationing mechanisms, which rely upon pre-announcement and public examination. An even more radical alternative would be for governments to pay businesses for the administrative burdens they carry.

As the Council of Europe (CE 1994a) finalizes the continued accretion of social responsibilities and
penalties for even unintentional transgression of complex regulations upon business owners and directors, on top of the risks they already run, can only reduce the number of these owners and directors willing to bear the burdens and strains of start-up and expansion. In general, the main weight of SME policy has to be directed at what the Council of Europe would refer to as soft measures such as advice and information, as distinct from hard measures such as those referred to previously dealing with the removal of government administrative burdens and with taxes and financial assistance.

With regard to legal and administrative simplification, some Member States have already introduced modified procedures, derogations from reporting requirements, one-stop-shops (u) and business impact assessments aimed at facilitating SME creation and development.

Managing the change

The establishment of the Single Market in the European area involves more than 370 million consumers and constitutes a unique opportunity for all of industry in the Member States. However, for this Single Market to realize its full potential and come up to every expectation, all enterprises must be able to profit from the opportunities it offers.

It has shown that even though SMEs are on the right track in taking standardization, quality, certification, health and safety into account, there are certain gaps, some of which are important, which persist and are harmful to SMEs, thus preventing them from profiting fully from the opportunities of the Single Market (AFNOR 1994). It has also shown that the time necessary for implementing the Single Market, penalizes SMEs in their strategic analysis, simply because of their absence in the standardization bodies. Although the smallest SMEs often have the most difficulty, the differences are not really striking in terms of enterprise size but rather between Member States. Efforts to solve the major problems should therefore be applied with varying degrees of effort depending on Member State. One of the common measures that Member States have decided is to develop the capacity of managers within SMEs to manage change (new technologies, processes, markets, human resources, etc.).

Another main theme developed by Member States is the reskilling of workers whose skills have become obsolete. This leads to the development of training programmes that support "multi-skilling" of workers and their active participation at several points of production and organization within an enterprise. The improvement of training systems within the company is also emphasized. Certain countries, for example, have decided to promote mutual cooperation between firms, with the aim (amongst others) of developing training plans for the workers.

One way to accomplish this training and learning, as described by Alchian and Demsetz (quoted in Håkansson 1993), is team management. Team management, which can be interpreted as some organizing form, indicates that the learning must regard both sides. A team consists of two people who have learned to cooperate. It can be assumed that the effect is largest when both people adapt to each other as compared to a situation where just one adapts to the other.

Furthermore, the need for skilled workers (both in research and development and on the shopfloor) to produce new products in the initial stages of an industry's development ensures the generation of a local reservoir of technically skilled personnel. These workers are most likely to spin-off locally and form product-based new firms which have the greatest overall growth potential. In general, these are the new-firm founders most likely to generate significant innovations and hence, to offer real prospects for employment growth (Oakey 1984; see also t in Endnotes).

A new vision for training

An entrepreneur is seen typically as somebody who has an idea. Obstacles do not and may not exist. However, before leaping into entrepreneurship, person must possess a set or combination of basic skills (s) which can serve as a platform for the later elevation to management. It has been established, for example, that young starters do not fail because of a lack ideas or effort, but because they possess insufficient knowledge and ability in the fields of management, control, finance and administration. In
other words, they do not lack personality, but tend to fall short on specific skills (Jansen and van Wees 1994). It has also been found that in the course of years managers want to be more effective managers, but generally attach a low priority to being effective learners.

One of the major consequences of the global changes is the increase in new demands for learning. An increase in the amount of training available is necessary, but an improvement in the quality of the training is vital (Kolotourou 1991). Training initiatives by the Commission can be a very useful way of helping spread innovatory experiments and the ESF supports innovatory schemes (through the Objectives 3, 4) aimed at testing new hypotheses about the content, method and organization of vocational training.

The main criterion for the selection of such vocational training schemes is innovation-defined, comparing the proposal for something new with what already exists and making a proper job of comparing the two [see also Endnotes (e)].

In conformity to that an action learning programme, called Vigilance (m), has been developed specifically for the managers of SMEs. The Vigilance programme is going to help SMEs to position themselves strategically to take advantage of opportunities or to avoid threats in their market place. The objectives of the programme are to systematize the present system, develop a new system for providing timely information to make strategic level decisions, to create a European network of SMEs to exchange experiences and information and to make the best use of information technology to benefit decision making.

From 1990 onwards, the programme is offered for a wider European audience with the support of the European Commission finance. Through participating in the Vigilance programme, entrepreneurs and managers are able to benefit from a better view of the company's future, standardization and improvement in searching and processing information from the environment, creation of long term action planning, increasing activity in a range of areas, better human resource management, better knowledge of the environment, using up to date management theories and better skill to cope with exporting (Goossen 1995).

Lessons for educational institutions

The development of a small business is different to that of a large one because of the way that it grows and the problems that grow with it. With a larger business there is a management and financial structure that supports delegation of work, whereas in the small business there is often only the husband, wife and possibly a friend. Management development is seen as a luxury and even where the business is growing (too) quickly, there is a reluctance to ask for help and learn from others because of the inference that to ask for help shows that you are incapable or incompetent (Burns 1992a).

Besides, much of the small business management development tends to focus on a fairly traditional approach. The traditional approach is rooted in teacher-centered, institutionally based courses and programmes (Murphy and Young 1995). Statistics show that some educational institutions see the business community as a bottomless pit who will pay exorbitant prices for the training of management. While this situation may be true of some large businesses, it is not for small businesses; certain training courses for the small businessman have already proved to be an unmitigated failure for no other reason than the cost (Burns 1992b).

Given the accidental, informal and interpersonal nature of much of the learning in small business it is appropriate for educational institutions to provide more specific, individualized assistance to owners/managers. For example, helping them to initiate, develop and maintain a personal/professional network may be more beneficial than the design and delivery of broad-based content courses. As well a group of owners/managers may come together to discuss problems and solutions, with a 'teacher' serving as a moderator and resource person rather than as lecturer.

This is an opportunity for educational institutions to be of service and forge stronger links with the business community. The learning process for owners/managers is highly individual, overwhelmingly interpersonal and tends to be rooted in other people. Therefore, owners/managers should
explore and understand their learning process and styles and increase the size and variety of personal and professional networks to facilitate their own learning (Murphy and Young 1995).

So the trainer role must change; he or she must participate to and stimulate a shift in the enterprise culture; he or she must undertake new tasks and become a training consultant working in liaison with other professional involved in training. As the Greek conference outlined, specific attention should be paid to training in and for SMEs (EC 1995c). Recent proposals are aimed at making the workplace itself the main location of training (q).

It is also often overlooked by the people who propose new national or regional staff training schemes for small businesses that if the scheme is to be successful then the boss of the business has to understand and approve of it. New schemes should take this into consideration and should look at the training of the boss. Training the bosses will cost money but it will be an investment that could have the biggest and longest lasting impact on this particular sector of the market.

Unfortunately interesting topics or suitable time alone do not guarantee audiences in the training events for small workplaces. The trainees should also have respect for and confidence in the trainers. In the development and service project for small companies we observed the participation rates and noticed that even the most reluctant managers and entrepreneurs would participate when we increased the number of workplaces an opportunity to express their opinions. A public recognition of the special know-how and experience of the companies was one idea that helped involving small companies in the events. The participation threshold in small companies can be low if the organizer of the training knows the participants and they have learned to trust the organizer (Manninen et al 1993).

**New training approaches**

In recent years the term training has been increasingly replaced by the term development. The point is that training is only one way to support the development of an individual, a group or an organization. The term also encompasses the development of the enterprise and the management as a whole.

The work culture in small companies differs from that in medium-sized and large companies. The difference is quite significant, and it is reflected in such things as how training events should be arranged for small companies. If the entrepreneur or his employees leave for a seminar in the middle of a work day, it means a complete standstill of the work (see earlier chapter Barriers to training). For this reason conventional training arrangements in classrooms are not suitable for small companies. Neither does general education appeal to owners/managers or employees of small workplaces (Manninen et al 1993).

To improve the supply offer Gibb (1990) lists changes which are needed in the approaches involved. The approach recognizes the essential heterogenous nature of small business population and the owner-manager. It also recognizes that learning needs are varied and will accord with the development needs of the business. It recognizes that it is difficult to arrive at a standard training need in terms of conventional subject areas such as marketing, finance, production and so on. It recognizes the limitations of formal written materials and the importance of a personal interface. Implications for the design of effective programmes for small businesses are (see also CEDEFOP 1990,1994): 1) Relating training to problems and opportunities that the owner-manager faces. In the owner-managed company, organization development equals management development. Owners attend small business programmes largely in order to help them overcome problems that arise, 2) Understanding that a needs analysis must be undertaken on a business analysis basis in order to identify management learning needs, 3) Ensuring that programmes are in the right language and at the right level for the owner-manager, 4) Ensuring that there are strong links in programme design and development with the environment designed to maximize the owner-manager obtaining personal contacts with the relevant environment, 5) Ensuring that programmes are designed to use time effectively and recognize the resource limitations of the owner-manager, 6) Ensuring that programmes build from
informal systems already in operation in companies and do not necessarily preach educational technology and knowledge beyond the capacity for absorption by the small firm, 7) Encouraging action learning and peer group learning, recognizing that owner managers can learn effectively from each other, 8) Operating a very highly discursive and not passive system of learning, 9) Ensuring that creative marketing approaches are taken to develop identified needs into demands for training, and 10) Segmenting the markets so that programmes are designed to deal adequately with the market niches of such a large heterogenous population.

Developing teaching material is an expensive and knowledge intensive activity and a process in which representatives from both the supply side and the demand side should be involved from the beginning.

Promoting health and safety at work

In the context of heightened international competition, the optimization of investment has become a condition of survival. There is no longer any margin for error, which means that social and technical issues must be considered simultaneously. Right from the very beginning of an investment project, it is essential that careful thought be given to organizational choices, occupational skills, ergonomics and plant management (Du Roy 1992).

Studies have shown that work accidents and occupational diseases are often associated with poor management practice. Good management involves the best use of available resources, including, in particular, the workforce, and this requires a safe workplace which will protect the health of workers, improve morale and motivation, promote the quality of production and thereby assist economic performance of the enterprise. Safety and health training are a means of promoting quality consciousness and professionalism, and therefore an asset in human resource development [COM(1993)560final].

A reconsideration and redifision of work tasks and areas of responsibilities, correct working procedures and open conversation at the workplaces would in fact be an effective cure for stress, which would also reduce the risk of accidents and work-induced diseases. The need to develop management skills is characteristic of the entrepreneurs both in young and old companies; the workload and stressfulness of work are not reduced by the age of the company. For this reason the companies need continuous external training and help. With a view to the generally low level of education among entrepreneurs, the self-education and adoption of a new management philosophy might rapidly result in more sensible procedures (Manninen et al 1993).

The ergonomic skill and adoption of ergonomic principles by the people in small workplaces can be promoted by appointing so-called patron companies (or reference workplaces) and company chains in different branches. The companies to be appointed are model companies that are known to have taken excellent care of their labour protection, occupational health, employment relations and production. The staff of small companies could make excursions to the patron companies and see practical solutions for the development of ergonomics in work environments. A great economic benefit of the patron company idea lies in the possibility to avoid repeating the same errors in finding feasible solutions.

Promotion of preventive measures

As expressed many times earlier the creation of SMEs is a key factor in the socio-economic development of the Member States. One of the Commission's main concern since it began implementing Article 118a has been the need to avoid imposing administrative, financial and legal constraints which would jeopardize the creation and development of SMEs, while at the same time protecting the safety and health of all workers [COM(1993)560final]. The Commission's proposals have been accompanied by impact studies which have been sought to assess whether such proposals imposed constraints on SMEs. Other studies have highlighted the close link that exists between good company management and the implementation of safety and health at work measures.

The new Commission's Communication on safety, hygiene and health protection at work sets out the main areas for action to be undertaken up to the year 2000. Following the consultation of the Union
Institutions on the Communication, a fourth programme of the action on safety and health has been drawn up [COM(1995)282final].

The programme has two basic principles: the need to ensure that actions undertaken on health and safety are designed to support the competitiveness of enterprises, particularly SMEs, and that improved education, training and information are essential towards achieving better health and safety at work and in assisting SMEs in doing so. The key features of this programme are:

1) Appropriation development of EU legislation in the light of new knowledge or technical progress, or to remedy identified shortcomings, especially in relation to high risk situations and harmful agents, 2) Consolidation of existing provisions in order to reflect advances in science and technology and to make them more easily applicable by all concerned, 3) Promotion of information, education and training activities targeted at employers and workers as well as cooperation between Member States and the social partners to improve awareness of health and safety issues, 4) Promotion and development of preventive measures and protective services, especially in relation to risk assessment, 5) Study of problems encountered in undertakings and enterprises such as small and medium-sized enterprises and in particular by specific groups as issues connected with well-being at work, and 6) Development of non-legislative accompanying measures in order to promote and supplement legislative objectives.

One of the actions in this programme is the Safe programme (Safety action for Europe). Safe programme will support projects of a practical nature intended to demonstrate: the promotion of improvements in the workplace specially directed at safety, hygiene and health at work, particularly for SMEs, and the improvement in the organization of work practice and to influence attitudes towards safety and health at work in order to reduce accidents at work and occupational diseases.

Furthermore, the self-audit (v) method for health and safety work prepared by the Commission services offers support to the heads of SMEs during their assessments and their decision-making in the field of protection of health and safety in the workplace. This method has been disseminated in the form of a self-audit manual for the use of SMEs (EC 1995d). Taking approximately four hours to complete, on average, the self-audit forms the starting point for employers to create their own action plan for dealing with working conditions (see also AHG 1994). Without necessarily providing solutions to legal obligations (which vary from country to country), this handbook can be consulted whenever a safety or health problem arises. It does not absolve the employer from the responsibility from calling in outside specialists when necessary.

Encouraging labour inspectors

The Commission has also made proposals to develop and formalize the role of the Senior Labour Inspector group. In 1994 it approved a regulation establishing a European Agency for Health and Safety at Work, based in Bilbao, in Spain. The Agency will have as its main tasks the collection and dissemination of technical, scientific and economic information on health and safety at work, the promotion of and support for exchange of information and experience between Member States, organizing conferences and seminars, providing the information necessary for the Commission in the preparation and evaluation of legislation, the establishment of a network linking Member States' national networks, and the collection and dissemination of health and safety information from outside the Union. Such an achievement has been the creation of the Haste database. It includes accident reporting systems, surveys of conditions in specific sections and information from social security systems (European Foundation for Improvement of Living and Working Conditions 1995).

All in all, general attitudes to health and safety will condition small firms' receptiveness to information and other interventions aimed at securing change. Information, publicity and specific interventions by regulators and others can have significant effects on changing attitudes. A better understanding of what small firms think and know about health and safety is critical.

Here labour inspectors do not form a group of outsiders. Much sooner, amid the economic turbulence with increasing numbers of small businesses, the core functions and the other activities of the
labour inspectorate are actual common topics in the Member States. Simplifying, the vast number of micro companies needs absolutely a different approach. As Hammer (1993) in his prospective analysis declares, no inspectorate has the resources to inspect every small company. So far, as everywhere else in the society, essential to any labour inspectorate is the capacity to innovate and to find new effective methods that are workable in contributing the state of health and safety in SMEs.

As far as developing the cooperation of labour inspectors and enterprises is concerned, it is interesting to note here that the companies wish to have expert help in drawing programs for enhancing ergonomics and safety at work and written material on the newest ergonomics and labour protection applications, training for their personnel in labour protection to enable them carry out necessary changes at the work places, and undelayed and efficient information services. A key role here is played by the self-initiative of the companies, which is prominently displayed in the thinking and interviews of almost all employees and managers. In this light it is evident that labour inspectors should take every effort to support and encourage self-initiative in companies. This is not an easy task, as it requires expertise in many fields and also a great deal of psychological eye and human-relations skills (Manninen 1993a).

At least previous findings have pointed out that a consultative approach, realized partly through media and telecommunication and partly through personal visits, is particularly important in the case of small companies employing few persons, where the development of work and production methods depends on the attitudes of the manager, owner or entrepreneur (Manninen et al 1993, Manninen 1994). On a large scale, open-hearted, interactive working style with due appreciation of the own experiences and expertise of the companies is the key factor to get the small companies committed. In most cases, small companies are receptive to advice and they welcome inspectors but they do need simple and clear guidance.

Incentives

Decision-making in enterprises is influenced by the corporate culture (Bailey et al 1995) or organizational culture (Du Roy 1995). Decisions are taken not only as a result of interpretation of the market, competitors and other economic factors but also as a result of beliefs, values and legal requirements. This includes the organization's attitude towards working environment problems and activities.

Many working environment improvements might in fact turn out to be profitable by themselves when one includes factors like absence (p) due to illness and employee motivation. In one case, the investment in a better physical working environment and modification of job organization was equivalent to three months' pay. After the investment absence due to illness dropped by 80 per cent and production increased by 25 per cent. The increased revenue from the investment covered the costs within a year (Oxenburgh 1991).

These economic (n) arguments may be more or less persuasive, but at least they draw attention to the fact that investments in a better working environment are not necessarily just costs – they can also provide income, even profit. An investment in better ergonomics can also be regarded in a longer perspective, in which, for example, the expenses an income over the entire lifetime of the machine are included in the calculations. The economic models used are closely related to other cost-benefit analyses that have been applied in similar areas, such as staffing and training. The basic idea is that costs for improvements in the working environment such as the re-design of work stations or purchase of additional equipment, as well as medical and rehabilitation costs, can be subjected to cost-benefit analyses just like any other investment (Euro Review 1994).

The profitability of improvements is, however, not the only criterion for the enterprise. Incentives are thus a means of communicating with the social system of the company and influencing its value and attitude towards health and safety problems.

Motivating the employer is not sufficient although the economic motivation is formally aimed at him/her. On the contrary, the incentive methods must be aimed at the entire corporate/organizational culture if they are to ensure optimum motivation. The
workers’ council and the health and safety representatives and/or other collective representatives of the employees could be considered the second most important social partners to relate to when establishing preventive action (Bailey et al 1995).

To make the idea work in a more general way, insurance companies and (labour) authorities should grant various bonuses, incentives and support to the patron companies (reference workplaces) and to the companies that send their personnel to learn from the patron company.

**Efforts as the criterion**

Unfortunately, up till now, for the average enterprise in Europe (the small or medium-sized enterprise) there is no satisfactory method of measuring any results of safety activities at all: accident statistics do not make any sense below a minimum of some hundred employees. For small and medium-sized companies the statistical fluctuations render the results misleading as a measure of performance (Bailey et al 1994). Thus it is possible to offer incentive for the use of low noise machines, waste-reducing techniques etc. either on a relative or absolute basis.

An alternative strategy is to measure effort. Effort is prospective, contrary to historical records on accidents, and fits better with the concept of a scheme that will motivate employers to change the risk. Using effort as the criterion would be particularly advantageous in the case of occupational diseases, where there is difficulty and disagreement about what should be included plus a long time lag before the effects of good or bad practice show in the figures. Connected with this the Commission has highlighted the importance of company-based action plan [COM(1995)282final] and self-auditing (v) (EC 1995d) what every boss is expected to practice and where the overall risk assessment is object of interest (see w in Endnotes).

All in all, for the European Union, the main benefits of a consistent and effective approach to (economic) incentive would be: 1) Increased awareness of the true costs of ill health and injury leading to better informed decisions and reduced incidence of occupational accidents and diseases. There are potential savings in both human suffering and economic costs, 2) Self-targeted improvement of the working environment in high-risk areas without the need for further specific legislation. An incentive scheme would automatically identify and address new areas of concern as they arise, 3) Potentially improved monitoring of performance via comparable and reliable reporting of occupational injuries and ill-health, and 4) Visible recognition of employers’ efforts to improve the working environment with benefits accruing to responsible enterprises (Bailey et al 1994).

**Experimental cooperation on the local level**

Encouraged by the Commission’s policy it is worth mentioning here two concrete examples of good practices and how the cooperation in practice might be reached. The two Finnish projects, which will be discussed in more depth in the next chapter, are new openings in the area of active employing as well as finding jobs [Job hunter project; see also (z) in Endnotes] for unemployed persons and concurrently with developmental measures in SMEs through media [The Milliards Game project; see also (h) in Endnotes]. Unanimously, these two projects verified that even though at the start there is no experience among authorities of true cooperation between each other, ultimately the innovative and unbiased collaboration may create real surplus value. In the event that officialism dominated and for some reason other the authorities of administrative organs were reluctant to cooperate through their routine mode of actions, the modern media can offer a borderless and common forum for authorities as well as specialists and entrepreneurs to act.

The ultimate goal of the so-called Job hunter project was to place as many job-seekers in companies, where they besides their own work assumed responsibility for a task related to the development of work environments or the contents of work (Manninen 1994b). Most of the companies that participated in the project operated in the metal or building industries.

The idea for this experimental project to develop local level cooperation arose from the unprecedented unemployment rates and inexisting cooperation.
between the authorities and companies on the local level. The final impetus for the project came from the results of a previous service and development project for small companies, which indicated that there was still much to be done in the SMEs concerning the development of work and production environments and that especially the smallest companies, the so-called micro-companies, had really scarce or inexisting knowledge-, skill-, time- and economic resources for implementing changes and meeting the needs of development. It was estimated that a failure to correct such ergonomic flaws caused the SME's annual losses worth of milliards of Finnish marks (Manninen et al 1993, Manninen 1994a).

As the Job hunter project proceeded, it became evident that cooperation between authorities can be effective across the administrative boundaries of departments and can be developed further with a view of combining the expertise of all parties for the benefit of the customer. The results are visible in an increase in the number of employed people and a reduction of hazards at work places. The success of the work is based not only on the trust between parties, an open atmosphere, diversified experience and know-how, but also on accurate and up-to-date details on the company and the person to be employed. In general, the input/output ratio of the project was excellent. The Job hunter project was implemented in Central Finland in cooperation with the labour inspectorate and labour authorities and the companies.

In line with previous findings, the results of the enquiry that launched The Milliards Game (h) project also indicated the need for a more effective cooperation between companies, experts and the authorities. In its present form cooperation between companies and the authorities has been rather vague and arbitrary. The results of the enquiry further proved that enterprises need more information and that company managers considered the media the most important channel to satisfy that need (Manninen 1995b).

For company managers the need of new information concentrates mainly on the development of work procedures, company management, financial issues, occupational safety and recruitment and use of labour. Underlying the situation are the limited resources of small enterprises to keep on par with the development; about two thirds of the managers reported that their companies had insufficient or inexisting resources for acquiring information on labour protection and occupational health care. More than one third of the managers did not know how to use the available expertise in developing their companies.

The managers considered the most important factors in the development work to be the self-initiative of people and correct information. A public discussion of work and work environments and deductions in insurance premiums would promote qualitative development in the companies. Most investments in the quality of work environments are not futile but will repay themselves in the long run.

Modern graphic and electronic media with magnetic data storage and copying facilities are ideally suited to this kind of development work, to circulating a company's experiences, disseminating new information and maximizing the time available for training in companies. Employees can listen to the radio during work and breaks and exchange their opinions, provided that there is a will to receive new information.

The Milliards Game is going to build a communication model based on the use of the media and a related development and training model for the needs of small enterprises. At this present moment the overall feedback obtained has been plausible and encouraging; as assumed, using all these media simultaneously, the project might through its program production attain overall resultant influences, which are measurable and greater than the effects found after using these different media separately. Radio broadcasting, for instance, prepares ground for general interest and following newspapers show the people how to put the ideas into practice. Obviously relatively soon it will also be seen is the vitality and the competitiveness of a certain company linked to its daily interest to follow and utilize different pieces of information from different types of sources.

Due to its character of communication the products of the project affect not only the limited numbers of target companies but also the public at large. Because it is an innovative project, the results from
The Milliards Game and the whole cooperating model developed during the project have been planned to be transferable to any other area and country.

Support centres for SMEs

Referring to numerous actual developmental challenges and even the versatile initiatives the Commission itself has recently done, there is an urgent need to build up, for SMEs, a functioning, coordinating and supporting network of centres in each member state. One-stop-shop, broad based services might include just start-ups, economical, financial, legal and administrative issues as well as issues related to labour force, methods of production, training, prevention and ergonomics (see n and u in Endnotes).

A challenging model for an institutional development like this is the IMK, The Institute for Small and Medium-sized Enterprises (in Dutch: Instituut voor het Midden- en Kleinbedrijf). The institute is based in Hoofddorp, close to Amsterdam. The objective of the IMK is to assist in the improvement of the structures of the SMEs, to promote SMEs and to assist in the improvement of their functioning. To that end, several instruments have been developed. Some of these are assistance to starters, documentation services, assistance to writing of business plans, appraisal of business plans for decision-making for financing, consultancy, training and matchmaking assistance. The IMK not only is in contact with existing SMEs, but is also heavily engaged in guiding starters in their endeavors. The IMK has guided numerous starters in setting up their business. The institute has assisted them in getting finance for their future enterprise and at a later stage guided small enterprises in their applications for loans. Apart from starters, it has become a major referral partner for banks in granting credit to SMEs.

It is also the most important consultant concerning the approval for state guaranteed loans, enabling banks to ease their collateral requirements when dealing with an individual enterprise. It has created numerous instruments to assist small enterprises in their drive to improve the functioning of the enterprise. These cover all major functional areas of the enterprise and comprise strategy formulation, quality control and assurance, information technology application, personnel affairs, marketing, internationalization for different sectors of the economy always for SMEs. The enterprises can make use of the instruments through individual consultancy, sectorial assistance projects or collective advisory processes, training, books and publications. Equally it covers service, industry as well as trade (IMK 1995a,b,c).

Subsidiarity and easy access are the leading principle for the institute. Its 13 independent non-profit regional organizations with 38 IMK-offices are located in the immediate vicinity of the enterprises throughout The Netherlands. The IMK-Network has totally 400 collaborators (Goossen 1995a).

It means that the IMK consultant is always close at hand, both literally and figuratively. For example, in the southern part of The Netherlands, in the province of Limburg, the regional institute serves about 25,000 enterprises of which about 5,000 contact one of the four offices per year. The consultant discusses the problem and makes the diagnosis - usually during the interview. So the consultants have to deal with a lot of different branches, entrepreneurs, questions, problems and have to analyse and have to advise individually to every entrepreneur. At the very moment it has become more and more important to give an advise or some accompany of a high level, of good quality. Not only will the entrepreneur be given the latest and most up-to-date information, the entrepreneur is also assured of the best and most objective advice. As Mr. Haagmans (1995), the chief of IMK-office in Maastricht, summarizes, that means there is a lot of work to do, but the work he and his colleagues are doing is a socially and economically worthy job.

Networking

In addition to enterprise houses and support centres another way new technology can benefit small firms is by allowing and encouraging them to network (f) so that jointly they can achieve scale and scope economies unavailable to each one of them individually.

One of the most relevant examples comes from the region known as Third Italy, the northeastern and
central area of Italy, where clusters of firms using a combination of hardware and organizational techniques have been capable of increasing production, exports and quality even during periods when economic growth in other areas of the country and the world has been stagnant (Alcorta 1992; see also Petrakos 1995).

In essence what characterizes the Third Italy is the existence of clusters of successful small scale craft-based family firms across wide geographical areas and industries.

All the major functions of the organization, from purchasing to production and marketing, are assigned to individual firms. Each function can be performed by a variety of firms, so that firms do not necessarily perform the same function all the time. One of the firms, normally the marketing one, performs the planning and coordination function and therefore operates as a "head" firm although it does not have any contractual power to exercise control over the other members of the corporation. Furthermore, individual firms participate in several corporations at the same.

The corporations of each region specialize in a specific industry. The productive process is subdivided in as many stages as possible so that individual firms can specialize in each stage. Labourers tend to be highly skilled so they can easily adapt to changes in equipment, to the introduction of new techniques, and to the manufacture of new goods.

The firms are glued together on the basis of longstanding ties of trust and cooperation between individual members.

This means that there is no need for formal contracts or any other contractual form, reducing transaction costs. It facilitates coordination across phases of the productive process, specifically in terms of the volume and characteristics of inputs and products. By participating in several corporations, individual firms maximise capacity utilization as, when demand is low for a particular product or corporation, they switch to the production of another good for another corporation (Alcorta 1992).

Nonetheless, there are a number of cautionary points regarding the general significance of this experience and its applicability to small firms in other contexts.

**Measures to assist older workers**

At the moment, all the European countries are beginning to be concerned with the consequences of ageing, not only for social security systems, but also for the structure of available employees in relation to the realities of work. The concern touches SMEs as well. The micro company may collapse or face serious problems merely because it has not realized in time to employ any successor in the intention to adapt and inherit the skills of retiring worker.

The prospects of the development of the working population's age distribution suggest that from the year 2010 onwards, close to 40.0 % of people will be aged between 45 and 64. Parallel to this process of ageing in the working population, one finds a decrease in the rate of work activity among young people, due to particular to the rising age of school leaving. The number of older people in the working population will therefore exceed the number of younger people. This demographic development will undoubtedly lead to a change in the generation structure, linked to the disappearance of certain activities (Droit and Polzhuber 1992). In other words, the current generations of employees, with their associated experiences, qualifications and occupational orientations, will not be replaced on an identical basis; the new employees will have received different training, and will aspire to other forms of work.

Up to the present time, company policies have mostly consisted in removing elderly employees from working life through various procedures. Taken as a whole, these measures, which tend more or less in the direction of ageing workers, have produced negative consequences within the company, which have been reflected in a demobilization of employees remaining in the company and loss of competencies, of experience-based knowledge which is hard to replace by theoretical knowledge (Droit and Polzhuber 1992).

These short-term policies have been criticized, because they seem inadequate, taking account of the predictable developments in the age structures of the working population. The approach is now directed towards resisting this systematic exclusion of ageing workers, and towards the initiation, as early as
possible, of a wider debate in search of perspectives which would keep these employees within the company. So far, certain companies have already embarked on innovative programmes. The Aerospatiale company has set up training programmes for engineers and project heads so that they may design technical and organizational systems suited to the widest possible population. The Bayer company has drawn up a training programme to guarantee the updating of qualifications for its employees, whatever their age. The Manduchet group, in cooperation with ANACT (Agency Nationale pour l'Amélioration des Conditions de Travail), is preparing an instrument for identifying the mechanisms of selection and exclusion based on dynamic study of the characteristics of the population, in relation to the development of working conditions.

So far, the question of older workers is all the more pressing in that the demographic trends in the Union argue in favour of them staying in employment. Consequently, various specific financial incentives are provided for by some Member States, along with general measures for the unemployed and in particular for the long-term unemployed in order to help older people to get back to work. These frequently take the form of employment subsidies and reductions in social contributions. The thresholds for these measures vary widely, ranging from 45 to 60 years [COM(1995)465final].

Women's business

One of the most significant changes of this century has been the massive entry of women into the job market, and, more recently, as business women or business partners, which has posed an important challenge for them.

Being fully aware of the actuality of the matter the European Commission (DG XXIII-B/3) organized the very first European Conference on the Challenge for businesswomen in November 1995, in Barcelona, Spain. This European Conference was designed to analyze the challenge it means for a woman to set up her own business and to promote the role of the businesswoman as a driving force of local and rural economy.

The importance of having an innovative idea applies to both men and women wanting to set up their own businesses. However, women face two challenges in this respect (LEI 1995). The reason is that many entrepreneurs develop ideas based on skills, knowledge and experience gained from their previous employment. The LEI Network (i) mission is to help more women succeed in setting up and developing their own enterprises. The aim of the network is to help women create viable jobs by developing competitive businesses.

The fact that women's businesses are concentrated in a limited number of sectors is a concern because they are mostly weak or vulnerable branches, whose markets are in decline, saturated or with limited potential for growth. The sectoral concentration also gives women a limited knowledge and experience base from which to develop innovative ideas that can become competitive businesses in the market place. As a guide specially aimed at women teaches, the key is how women utilize their skills and experience to come up with business ideas that offer something new or different. In this guide women will learn to look and think creatively about business opportunities, and find new methods of using their resources in innovative and different ways.

Conclusions

An assessment of present and foreseeable situation of Member States identifies a clear need for much innovativeness. This requirement applies to society, to culture, to private enterprises and also to governments, including both their political levels and the public sector (Schaefer and McInemey 1988).

Referring to this requirement, the report presents the work that the Commission of the European Union and various official organizations of the Community have made to improve the preconditions for the operation of SMEs by publishing a number of programmes and documents dealing with support measures and research programmes, internationalization, simplifying and lightening legislation and public administration, easier access to information, training and financing. As the documents note, without the commitment of the SME themselves and an active contribution, flexible response,
innovation and creativity of public administration and individual civil servants the political declarations may remain mere empty papers. Creativity is needed in developing cooperation between different branches of administration, which is exemplified by two successful research projects presented in this paper. Besides the reform of procedures, creativity is also needed in producing training programmes, support centres and networking suitable for the SMEs.

Smallness or bigness of a firm is not the decisive criterion for its performance. Smallness may be seen as an advantage rather than a handicap, since firms can respond quickly to changes in environmental conditions. Using advanced technology, developing it or even manufacturing it SMEs are significant in many respect. Microelectronics-based technology in manufacturing, for instance, has increased flexibility and helped small firms overcome some of their space and skills problems. In particular, firms that forge flexible links with other compact, purposeful firms in networks are well adapted to the new environment. As Nakamura (cited by Whittaker 1994) argues, this will be achieved by independent, positive companies loosely coupled with others to reinforce each other and positively use external resources to bring about economic efficiency.

First of all, the promotion of small enterprise viability and growth would require improving their productivity. Referring partly to postulations of Theocharides and Tolentino (1991) and of independent experts [COM(1995)288final] small enterprise productivity performance is the result of a number of inter- and intrarelated factors which are tied to overall policy, and social and institutional environments, to market and product mix, to technology and production skills, to access to finance and other inputs, to access to information and knowledge, to management structures, systems and capacities, to work attitudes, behaviour and safety.

Productivity and well-being can be improved simultaneously by developing the working conditions, the contents of work, occupational skills and the management. Publications on management and the training of supervisors place an emphasis on taking care of the well-being and development of the staff and the working environments.

Rapid changes in the working community and circumstances can be controlled if the workplaces are provided with correct information and skills, and the personnel are encouraged to be active and take initiative. The tinier the enterprise the more impressive role the owner/manager has on ups and downs and on the overall success of the enterprise involved; in the owner-managed small company, organization development equals management development. That is why reforms and changes in the training methods and contents of training events are needed to relate training to the everyday needs and interests of SMEs and to the skills the owner/manager requires. Entrepreneurs consider the most urgent needs to be the training needs related to administration and management, business economics and operational accounting, language training, marketing and sales, experts and internationalization. A participant coaching approach and supporting of independence have also been central issues in the renovation of the supervisory styles.

Recently the disproportion between the various needs of small enterprises and the traditional training and consultation services has been examined in many countries. In the light of the results, the central obstacles to participation in the training and suggestions for improving the training approach can be presented. A catalyst to a deep-going educational and training renovation is that conventional approaches to training for small businesses are inadequate.

Training is to be customized for the small workplaces, and it should have apparent benefits for the company. The aim is to ensure that the enterprises can get the maximum benefit from the training and development services. In particular small enterprises have been dissatisfied with the amount of business cooperation training available. It seems that small enterprises most easily experience themselves detached and insecure while working alone and would appreciate the support of other similar companies (Hanhisalo et al 1994).

Optimal reception of the information can be ensured if the providers of training split extensive training and development programmes into consecutive sections, time the training with the work shifts and synchronize it with the changes and development activities already under way in the
company. Both the manager and the personnel should use every effort to create favourable preconditions for analytic and consistent training and development operations making full use of modern media. It is a well-known fact that the enthusiasm of the manager of a small enterprise is also the best incentive for the other members of the working community to participate in training and development activities.

Interaction with subordinates is a precondition for successful changes, and this indeed calls for increased cooperation between the supervisor and his subordinates. Adopting new procedures, in turn, requires learning. In a working community it means simultaneous learning of both the manager and the employees; thus the learning process concerns everybody and not just the individual.

Ultimately this leads to a learning organization: their learning processes are problem-oriented, cyclical, conscious and collective: Learning organizations are not only capable of learning, but also of learning to learn. Members learn to function in a working community, to take on the community’s subjective viewpoint and to learn to speak its language (e.g. Pye 1995; Elmes and Kasouf 1995).

Conclusions drawn on obstacles to training and suitable approaches to overcome them suggest that a central role in the coaching, up-to-date training and qualitative development of enterprises is played by business networks and modern media. In the right combination and correctly used they may support each other’s messages and make the newest information accessible to the very targets and persons who need the information most and have practical applications for it.

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Endnotes

a) Definition of SMEs. The report The Promotion of small and medium-sized enterprises in Europe Council of Europe (CE 1994a) refers to the definition of the European Union that an SME should not have a workforce exceeding 500, net fixed assets exceeding ECU 75 million, or have more than one-third of its capital held by a larger firm.

b) Additional definition for SMEs. When talking about the financial environment and state aid the Commission gives an additional definition for SMEs (that is, enterprises with less than 250 employees and turnover below ECU 20.0 million, which are not 25.0% or more owned by a large enterprise [COM(1995)362final, p. 27] or when talking about subsidized loans for job-creating SMEs the Commission says that this mechanism is open to SMEs with net fixed assets of a maximum of ECU 75.0 million and with staff not exceeding 500 persons; however, at least 60.0% of the beneficiaries will be SMEs with less than 250 employees and an annual turnover of a maximum of ECU 20.0 million or a total payroll under ECU 10.0 million [COM(1995)362final, p. 41].
The Commission itself has on several occasions used the threshold of 250 workers as a criterion for defining a SME (and did so as recently as 1 July 1994 in the Notice to the Member States laying down guidelines for operational programmes or global grants which they are invited to propose in the framework of a Community initiative concerning the adaptation of small and medium-sized enterprises to the internal market [CES(1995)52]. According to the report [COM(1995)513final, p.15] a definition of small businesses is being in progress. Drafting of the working document designed to reconcile the different approaches taken by Member States with a view, eventually, to drawing up a Commission recommendation to the Member States.

c) Stricter definition. Earlier in some cases a lower, i.e. stricter, definition is used (eg EC Commission 1989).

d) Large firms. As quoted in Vipond (1994) there are 12,000 large firms in the EU (i.e. firms of over 500 people) and 15.7 million small and medium-sized enterprises (SMEs).

e) Innovation. Innovation has been defined as the successful launching of a new product on the market or the development of a new manufacturing process in the firm (e.g. Hsia 1989). Stimulating factors for innovation are permanent (not incidental) R&D, a sector with many small enterprises, cooperation in R&D, the use of external knowledge (universities) and training of the staff. Furthermore, recession together with products getting out of date, will stimulate innovation (Carree and Lever 1994; De Lind van Wijngaarden 1995). Moreover, the attraction of organizing the business to suit the personal tastes of the founding entrepreneur is a strong motive for the spin-off of executives from larger, less flexible organisations. It is also likely that such flexibility is particularly conducive to successful innovation.

In 1995, the Commission intended to prepare a Green Paper dealing with the question of the need for harmonization of legislation relating to utility models - "Intellectual Property Rights (IPR)" - which are the ownership rights vested in the generation of an original idea. These utility models are a particular form of protection of innovation which because of their specificity, are of special interest to SMEs. This is a flexible form of protection, not very costly and well adapted to active SMEs in certain sectors of innovation [COM(1995)362final].

Innovation is vital in training. For example, judging methodological innovation means looking at the educational needs of the training (at the level of the students, the target group, that is to say) and the standard of that training. The innovation lies in a new method of organization which improves the efficiency of the training structures and ensures that the training itself is in line with requirements. The innovation wrought by innovatory schemes has to be assessed in the light of the socio-economic context and degree of regional development. Innovatory courses have to offer the sort of training which will lead people, as they stand, to good qualifications (often involving new technologies) which suit their own abilities, reflect the needs of the labour market and involve the relevant professional experience. Although the idea of innovation under ESF Objectives 1.2 and 5b is mainly expand economic sectors and ensure regional development, innovation related to the individual under Objectives 3 and 4 has more to do with trying out teaching methods. Once an innovatory scheme is completed, the results should be disseminated to help other promoters, too. A new scheme should have an effect on and increase the efficiency of the existing training system. When setting up a new kind of local training and employment initiative, it would be wise to organize contacts with a view to subsequent transfer of the model. Since innovatory schemes have to lay potential foundations for subsequent assistance from the ESF, they cannot just be one-offs, as they have to yield results which can be used outside the experimental situation (Kolotourova 1991).

f) Network. Networks and network analysis play an increasingly important role in many scientific disciplines. Network analysis is about actors and the relations between them. Dutch researchers (Beije, Groenewegen and Nuys 1993) assume that network relations have a certain duration and intensity, which makes it possible to
distinguish networks from their environment. The above mentioned line of network analysis can be labelled the "structuralist approach". It emphasizes the measurement of structural relations in order to understand how the networks work. The subject of these studies is usually an interpersonal network, which is defined as a group of people and the relations which exist between them. More recently, a trend has emerged which applies network analysis to interorganizational relations. Here, in contrast to the interpersonal network studies, the emphasis is on descriptive, qualitative work. In other words, networking and networks can be viewed as processes and/or as outputs. Either way, what is involved is a mix of formal and informal contacts between business, professional, social and personal counterparts that have a major influence on the ability to innovate in individual firms and national economies. These relationships are a key aspect of what have become known as national systems of innovation. This refers not only to the many interacting parts of the innovation "system" but also to the distinctive "national" character of many of its parts. Not only have inter-organizational contacts and networks grown in significance but organisations themselves have become networked internally. At the same time, in the context of globalisation, networks and contacts are becoming increasingly international or global in character (O'Doherty 1995). According to Kamann (1993) the essence of the network is that 1) No actor can fulfill his dreams without the assistance of the others. This puts him in a paradoxical position: he either remains independent (and sub-optimal) or he increases his dependence (and improves his performance), 2) Relations are based on mutual trust and are subject to social cohesion, but can change into opportunistic behaviour and betrayal, 3) The result of network behaviour is a synergetic surplus, 4) The nature of one relationship between two actors influences all other relations in the network (and vice versa), 5) Each actor tries to maximise his share of the synergetic surplus and 6) Each actor carefully balances dependence and freedom in order to improve the perceived optimal mix of effectiveness, efficiency, profitability and continuity.

g) General and specific comments: At its 306th Plenary Session (meeting of 26 May 1993), the Economic and Social Committee adopted the following Opinion by a majority vote, with two abstentions [CES(1993)601]:

2. General Comments

2.5.4. The new Objective 4 is designed to help workers adapt to industrial change and to changes in production systems. The Committee supports this, as it meets a real need in the face of the growing threats of dismissal and the rise in unemployment. Even if the sums involved are modest, these measures may prove to be trailblazing and take on considerable importance in the future.

2.5.4.1 . While it is true that industrial change and changing production systems are affecting virtually all workers and all sectors, Objective 4 should give priority support to workers in the firms, sectors and regions worse hit-or likely be worst hit-by industrial change, as these workers are at particular risk of losing their jobs.

2.5.4.2. Objective 4 measures should focus on retraining and redeployment of workers. In this context, the role of further training should be strengthened. When deciding on training measures, full use should be made of the experience gained with innovative pilot schemes over the last few years. Guidance for workers, to advise them on what training to take, should be treated as an integral part of redeployment and retraining. Framework agreements between the social partners, especially at sectoral level, are vital to ensure that such measures are effective.

2.5.4.3. Measures should be targeted at workers in smaller firms, who usually have greater difficulty in gaining access to training and retraining courses. Interfaces should be established between training bodies and small firms as part of the partnership with the socio-economic partners, and the training on offer should be better geared to the specific needs of small firms.

2.5.4.4 More generally, measures under Objectives 3 and 4 should be consistent with the various Council Resolutions, Recommendations and Directives on unemployment and training, and with other Community vocational training programmes. This has not necessarily been the case in recent years, as the operational
programmes in the Member States have not always taken the guidelines approved by the Council into account.

3. Specific Comments

3.2.1. It is this Regulation which is to receive the most substantial amendments. This is because the Regulation has had to be adapted to the new tasks and goals defined in the framework and coordinating Regulations and because it has failed in practice to provide an efficient response to social problems as listed by the Fund’s objectives.

3.2.2. Article 1 defines Objectives 3 and 4 much more exhaustively than do the framework and coordinating Regulations.

3.2.2.1. The Regulation includes assistance for "pre-training, including upgrading of basic skills" for the long-term unemployed and those who risk becoming so. The Committee has already supported such measures in past Opinions just as it has supported initial vocational training leading to a vocational qualification.

3.2.2.3. The ESF-financed measures under Objective 4 will now only cover vocational training, and the improvement of training systems. These extremely limited measures are not a satisfactory response to the complex problems generated by industrial change, and the need to safeguard and diversify employment in the worst hit firms, sectors and regions.

h) The Milliards Game. A top priority ESF project in Finland that is financed partly by the European Social Fund. The enquir that started The Milliards Game was conducted as a postal enquiry in April - May of 1995 in all Central Finland based SMEs of the metal industry, building companies and service stations (Manninen 1995b). Inadequate work environment planning and work related hazards cost tens of milliards of Finnish marks every year in Finland. The Milliards Game gets its name from this undesirable fact and is a training and development program for improving work and production environment. Its main goal is to launch and support various developmental procedures in working environments. Particular attention is paid to various aspects of functions of work organizations: the prevention of losses caused by inadequate planning and safety measures releases new resources for the development of enterprises. Small companies often play a key role regarding the effects of work environments and financial aspects in enterprises. However, conventional development and training methods have largely failed to reach those small companies. The Milliards Game aims at developing procedures and methods for reaching even the smallest workplaces, the micro enterprises. The implementation of The Milliards Game is based on using the methods and procedures of current media culture such as radio broadcasts and other audio material and other graphical material, training videos and films, visits and meetings in order to circulate experiences. Videos, newspapers, numerous radio cassettes and other products of The Milliards Game are already available. My door is always open- video which is demonstrating perspectives to management and good work is an example of such products of the project. For further information please contact The Milliards Game Keski-Suomen Tiedonvälitys oy Ltd, phone/fax +358-014-273774.

i) LEI. In 1987, the European Commission launched a special programme of support for women creating their own enterprises and other employment initiatives: The local employment initiatives programme for women (LEI). The LEI programme has twofold aim: on the one hand, to help fight unemployment among women and, on the other hand, to promote the development of female entrepreneurship. In this context, the European LEI Network of experts provides technical assistance to women setting up and running their own businesses and other employment initiatives, across the European Community.

j) Europartenariat. The Europartenariat programme was launched by the European Commission in 1987 as part of its regional and enterprise policies. It was designed to stimulate the development of less favoured regions by encouraging small and medium-sized business from all over the Community to establish business relationships with their counterpart in these regions. In order to benefit from the advantages of the Single
Market and, in particular, the free movement of goods, all companies, no matter what their size, have to face the complexities of operating across borders. Many small and medium-sized companies do not have expertise or resources to do this. The European Commission recognized this at an early stage in the realisation of the Single Market. To respond to this need, twice a year, representatives from companies throughout Europe are invited to attend a two-day event, during which they have the opportunity to meet with potential partners from a host region selected by the Commission. The regional incentives from the European Commission aim to encourage the use of all the resources of a territory to create and maintain economic growth and stable employment. For Europartenariat events organized in development areas of Member States, two thirds of the cost is carried by the European Commission. The other third is paid for by the host region. Host companies pay a small fee but visiting companies can attend the event free of charge. Since the beginning of the programme, its scope has adapted to changing political and economic circumstances and has widened to include not only companies from the European Union but also those from EFTA countries, Central and Eastern Europe and the Mediterranean rim. According to information supplied by participants, an estimated 60.0% of meetings result in continued contacts, while 40.0% actually lead to signed contracts between businesses from the host region and visiting companies. Since the first Europartenariat event in 1988, the number of participating firms has tripled, the number of visiting businesses has risen fourfold and the number of meetings between businesses has increased seven and a half times. The Europartenariat programme is a joint project between the Directorate-General for Regional Policy (DG XVI) and the Directorate-General for Enterprise Policy (DG XXIII). Every country has its own Europartenariat officers, called National Counsellors, who are responsible for catalogue distribution and for seeking out potential cooperation partners. Europartenariat Portugal (1995) in Lisbon was the thirteenth event in the series.

**k) Enterprise.** The Enterprise programme is designed to support local, regional and national actions aimed at promoting and stimulating direct contacts (i.e. personal meetings) between heads of enterprises with a view towards establishing cooperation agreements between small and medium-sized enterprises. This programme is modelled on the Europartenariat programme and covers all regions, whether eligible for support from the Structural Funds or not, thus paving the way for the organization of small-scale events (EC 1994b). The projects must include at least three regions from three European Union countries and may, in certain instances, also be extended to regions from non-member countries.

**l) The Round Table.** During the first meeting of the new round table of bankers and SMEs the members already listed a number of recommendations for the European Union, the Member States, the European Investment Bank, the Financial Institutions and SMEs. The work of the first round table was focused on Community financial instruments and on measures that could be developed in the medium and long term to improve the financing of SMEs [see also COM(1995)485final, COM(1995)498final, EC(1995c)]. Technical preparation for the meeting will be done through working groups, under the coordination of the Foundation for the Future of Small and Medium-sized Companies of Eindhoven and the support of Directorate - General XXIII Services (COM 1995).

**m) Vigilance programme.** Originally the programme was developed in France by the regional Chambers of Commerce and Industry in Paris in 1972. Until now more than 1300 entrepreneurs and managers from over 300 companies have participated in the Vigilance Programme. It takes place over 10 months and consists of 9 workshops of 1 day duration using discussions, inputs, case studies and planning for application in company and integrates consultancy support for each company. During the programme the following seven strategic fields are covered: Product's technical capacities and markets, direction of development and political and governmental environment, needs and availability of personnel, intentions of shareholders, management and employees, principles of management and reality of the organization, needs and availability of financial
resources, and direction of development and business culture.

**n) Economics and ergonomics.** Certainly, gains (or cost reductions) for an enterprise can be obtained by various means, such as tax reductions, subsidies of various kinds, influencing the availability of capital, reduction of insurance premiums and marketing assistance. Vice versa, each of these instruments can be used in the negative direction, too, e.g. increasing taxes and premiums, putting extra loads on bad (inergonomic) products, etc. (Bailey et al 1995). Occupational ergonomics deals specifically with people in their working environment and is concerned with optimizing work performance as well as preventing injuries. As a discipline, ergonomics draws on many subjects including engineering, physiology, anatomy, design and psychology. For example, several American enterprises such as Ford, Chrysler, GM and IBM, have put considerable effort into ergonomics over the past decade. The primary motivating factors were rapidly rising cost of workers' compensation and increased union interest in the working environment. At GM, engineers were offered a basic course in ergonomics. Ergonomic requirements for hand tools and production equipment have also been formulated, and automobile designers have been instructed to consider not only how the car will function, but also how it is to be built. GM's ergonomists now work closely with the divisions responsible for product development (Oxenburgh 1991).

**o) Sectoral dimension.** It is said that some sectors are less safe. So far it is not the size of the company but the sector where the company is situated that determines the safety of working conditions. Mostly the SMEs receive less safe and more labour-intensive tasks which result in unfavourable working conditions. The rising employment in SMEs includes new people, young people and mostly labourers. Besides, the SMEs often appeal to temporary employees. Statistics in Belgium show that all of these groups of employees are above average risk (Waeyaert and Slabbinck 1995).

**p) Absence.** Absence from work may be planned or unplanned. Planned absences include vacation, statutory holidays and other absences for which notification is given in advance. Unplanned absences include absences from work due to injury, sickness or other unforeseen circumstances. The distinction between the absence of an employee in an SME and in a big company needs to be made clear, too. The absence of one employee in a company with 10 employees is worse than the absence of the same employee in a company of 1000 employees. The SME will have to contend with difficulties due to a 10.0% reduction of its workforce. The big company will lose only 0.1% of its workforce (Waeyaert and Slabbinck 1995). In the big company every loss of production capacity due to accidents or illness up to 5.0% can normally be handled without any loss of planned output (Bailey et al 1994).

**q) New technology.** The introduction of new information technologies is not alien to these changes of location, as computers, robots, and other high-tech machines were first introduced into the production processes prior to finding a place in the classroom. It is no surprise, therefore, that the ideal place for acquiring and transferring knowledge of the skills demanded by technological change, is the very place where the new technology is at work, i.e. within firms. In numerous situations the new work machines demand almost the same behaviour from the learner as from the worker, and only a short step has been needed to move from this awareness to the thinking that working could actually involve learning. This has opened the way for revision of traditional approaches to learning. The concept of the learner as a passive student exposed to active teaching may be replaced by the concept of the learner as active and creative at the workplace (Fragnierc quoted in Grootings 1987).

**r) New and established firms.** Problems of definition surrounding the difference between new and established firms perhaps reflect the arbitrary nature of such a distinction. As Oakey (1984) in his inspirational book says,
in practical terms, the critical difference between new and established firms is in accumulated experience and resources. However, such experience may be a two-edged sword. On the one hand, there is no doubt that the most entrepreneurs develop many diverse skills as their business grows, but on the other, it is also true that such accumulated experience may have an ossifying effect on the dynamism of small businessmen. Clearly, a major advantage of the new small firm is the ability of executives to start trading with a clean sheet, free from bad business habits.

s) Combination of skills. Success in the choice of activity involves a combination of two basic skills on the part of the decision maker (or makers). These are business acumen and technical ability. In most practical instances, a new or existing small firm entrepreneur will possess a mix of both abilities, although business acumen will clearly be minimal in many new small firm entrepreneurs. Business acumen may be all important in certain areas of activity, especially in areas of manufacturing industry where the technology is well established and profit margins are low (such as garment making and printing). In such instances business acumen, reflected in optimal purchasing, contract quoting and the organization of labour, may be essential to ensure success (Oakey 1984).

l) Local economies. There is evidence to suggest that local economies with a high proportion of newer high technology industries (particularly electronics) are not only good seeds for the birth of small firms, but also fertile environments for their subsequent rapid growth. Ageing industrial structures may be less likely to produce product-based firms. New firms, when they occur in such economies, will be more likely to perform subcontract functions, since the majority of potential spin-off entrepreneurs are predominantly blue-collar shopfloor workers with mainly process-oriented skills. This phenomenon has been noted in the past for the Scottish development region (Oakey 1984).

u) One-stop-shop (Enterprise house). In England, Business Links are a network of independent local business information and advice centres which offer a range of services tailored to local business characteristics and individual firm requirements. They bring together a previously fragmented range of business assistance into One-stop-shops, thereby replacing rivalry and duplication between service providers (ENSR 1995). In The Netherlands the government stimulates cooperation through one-stop-shops (enterprise house) in order to increase the effectiveness and efficiency of the services. The stop-shops to promote start-ups are to be launched in Germany and Sweden. In Belgium and Spain, it is intended to establish a single point of contact for all SMEs dealings with public services.

v) Self-audit. Self-audit is a quick and cheap measurement tool. In auditing environmental features and risks the basic idea is to use the human senses and subjective evaluations like technical measuring equipments. Due to procedural simplicity of obtaining quantitative measures of environmental features, these techniques have extra relevance with regard to everyday labour protection. Of course, the procedure is a practical measurement tool not only for managers and employers, but also for employees, labour inspectors and occupational health personnel. In general, the influence of the rating line, location, order or wording of ratings in the assessments is small. By training the validity of the assessments can be increased greatly (e.g. Manninen 1977, 1979, 1987, 1995c). In order for people to become accurate and reliable human meters of the work environmental features of a certain company, it is necessary for them to achieve reasonable repetitive accuracy in making the assessments and ratings. Double assessments are an important part of this procedure. Furthermore, the reliability of the assessments is increased if the person is non-smoking, calm and relaxed, having normal hearing and being familiar with the conditions of the target to be assessed. In certain cases one alternative to get reliable information is giving the employee instructions for performing the evaluation self. Another central procedure for giving reliable assessments is that both the physical and the mental components of the work are

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taken into account. Obviously the most important finding, however, is that the subjective assessments depend on great number of other simultaneously existing exposure factors, and only when all these relevant factors are recognized their combined effects can be evaluated. Considering only one factor and classifying observations by it only is bound to produce superficial or even erroneous results. For further information of the combined effects see e.g. Manninen (1983, 1990, 1993, 1995a).

w) Risk Assessment. The words hazard and risk are not always given the same meaning in all the Member States of the Community, nor are they always given the same meaning in different scientific disciplines. Therefore, the ad hoc group says, for the purpose of risk assessments, meanings of these words which are accepted and considered practical in the context of the workplace have been used (AHG 1994). Risk assessment is only a step towards preventing or controlling risks. In determining a strategy to reduce and control risks, employers should also be made aware of the following additional principles, such as, to develop a coherent overall prevention policy which covers technology, organization of work, working conditions, social relationships and the influence of factors related to the working environment.

x) The Maastricht Treaty. The Treaty on European Union approved by the Member States in Maastricht on December 11, 1991, signed by them on February 7, 1992 and subject to a ratification procedure made special provision for SMEs in the framework of a new industrial policy: "the Community and its Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist. For that purpose, their action shall be aimed at: encouraging an environment favourable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings; to encourage an environment favourable to cooperation between undertakings".

y) Euro Info Centre. Information and assistance for business is one of the cornerstones of the Community's policy in favour of SMEs. The bridgehead of the Community's information to SMEs is the Euro Info Centre network, which covers the entire Community. Euro Info Centres must inform and assist without discrimination all SMEs which request help. Under the Code of Good Practice, they must supply their services regardless of region, businesses' legal status or activity sector.

z) The Job Hunter Project. This employment project was aimed at a qualitative development of companies, and it satisfied their labour and development needs by combining expertise, available labour and economic support in a sensible and effective way. The project had no special or extra project fund; instead, it used and reassigned existing resources in the best possible way. The training of the people to be employed was realized in the form of a special intensive course. The course ended at an excursion to the plant of a model company (sponsor company), where the trainees could personally learn how different ergonomic solutions work and how occupational health issues are handled effectively in practice. The project made use of a consultative interactive procedure and accurate company-specific data. This procedure and accurate and ample company data were the key factors that made this project different from earlier projects: a precision project. The project's operation and progress was based on the fact that the company management had the will and the need to employ a person. Only after finding a suitable person for the job the person was trained and familiarized with the work environment and labour protection issues with a view to the specific needs of the employer company. The data on the company's developmental needs was verified by personal visits to the company. Discussions at the company also gave an indication of the type of an employee that the company needed and the type of the developmental tasks that the employee was expected to get involved in besides his own job. First of all, the results of the project showed that the qualitative development of small and medium-sized enterprises can be supported and new jobs found by developing the cooperation between the local authorities and the enterprises. Moreover, the new employees introduced special labour protection skills to the company.
that helped the company in the pursuit of a sustainable development of productivity and competitiveness. In a year or so the project induced a series of similar job hunter projects all over the country.

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