



CONSULTATION ON THE FUTURE "EU 2020" STRATEGY

Position and Statement by CEC European Managers

CEC EUROPEAN MANAGERS VALUES INNOVATION AND LIFE-LONG LEARNING

As a European social partner, CEC European Managers follows closely the initiatives of the European Commission for the improvement of the European social model and the development of the European Union economy.

The Lisbon Strategy, defined when entering the new millennium in 2000, aimed at stimulating growth and creating more and better jobs, while making the economy greener and more innovative. The overall objective was to make the EU "the most competitive and dynamic knowledge-driven economy by 2010"¹.

The mid-term review of this ambitious strategy already showed that results were mixed and not as satisfactory as expected: "there has simply not been enough delivery at European and national level"² states the Communication to the Spring European Council in 2005. To face this issue, a renewed Lisbon Strategy on growth and jobs by the new Commission in 2005, fixed more specific goals to ensure that:

- Europe is a more attractive place to invest and work,
- knowledge and innovation are the beating heart of European growth,
- the European Communities shape the policies allowing their businesses to create more and better jobs.

However, at the beginning of 2010, now that the Lisbon Strategy comes to an end, CEC European Managers does not feel that the overall objectives have been reached. We do recognize the devastating effects of the economic and financial crisis which hit Europe hard as of 2008. The crisis has affected European economic growth, but even more its job market, thus jeopardizing the results of the work done through the implementation of the Lisbon Strategy. Nonetheless, CEC European Managers has not seen Europe's growth gap with North America and Asia narrowed down over the past 10 years and fears it will be even more difficult for the European Union to become the most competitive economy of the world in the years to come.

It is our strong belief that in order for the post-Lisbon Strategy to be successful, the European Union must further center its efforts on creativity and innovation.

¹ Declaration of the EU Heads of States and Governments at the Lisbon Summit, March 2000

² Communication to the Spring European Council - COM (2005) 24, "Working together for growth and jobs - A new start for the Lisbon Strategy", Brussels, February 2005

In the consultation on the future "EU 2020" Strategy, the European Commission expresses its key drivers and priorities as follows:

1. Creating value by basing growth on knowledge.
2. Empowering people in inclusive societies.
3. Creating a competitive, connected and greener economy.

CEC European Managers supports these priorities and would like to contribute by suggesting orientations for the implementation of the "EU 2020" Strategy through innovation and life-long learning.

Since many years Europe's global competitiveness is suffering from decreasing world market shares. It is estimated that Europe's overall innovation competence is lagging behind the United States and Japan by 40%. To face this threatening trend, the Lisbon Strategy has identified knowledge and innovation as key factors of growth, competitiveness and thus social well-being in the 21st century. Through the 6th and 7th EU Framework Programs the Union has been allocating around €72 billion in research in knowledge areas such as health, biotechnology, IT, energy, environment, transport, socio-economic sciences, humanities, security and space. Thus, European research has a high level, public authorities spend large sums of money to encourage innovation, European companies wish to be more innovative but obstacles to innovation and competitiveness remain while not being clearly identified.

2009 has been declared the European Year of Creativity and Innovation. In this context, CEC European Managers, as a European social partner representing executives and managers, the driving forces in the knowledge society, has seen as its duty to address this issue. Innovation and creativity was the theme of our last conference in Brussels which received the support of the European Commission.

During this conference, CEC European Managers raised the issue of the "final mile", which is the last step in the innovation process turning knowledge findings into economically useful applications. In other words, to enable economical growth and gain competitiveness, Europe needs to bring its innovative process one step further by ensuring applications for the knowledge acquired through research.

This crucial role of the "final mile" is not appropriately dealt with in current initiatives promoting competitiveness, such as the EU Framework Programs. The EU Lisbon Strategy focused on research and knowledge creation, implicitly assuming that knowledge creation automatically improves the competitiveness of the European market. CEC European Managers has shown through its conference that this argumentation is far from the real business world.

Innovativeness is becoming a manageable quality of organisations, which results from well-conceived and systematically implemented and applied processes – though still requiring talented people. Three main groups of innovation are commonly admitted:

- innovations around products & services and related product and production technologies,
- organizational innovations, comprising managerial changes of structures and processes,
- and business innovations, looking at new ways to conduct the business.

Under this view of a broad perspective of innovation, innovativeness has to be a quality which is shared by all the disciplines such as product development, production, marketing, sales, finance and administration – in fact by all the employees and workers.

CEC European Managers stresses the need for a competent innovation process management. Innovative thinking - and of course innovative doing – results from individual attitudes such as openness to the new, willingness to change, capability to communicate and cooperate, uninhibited creativity, and at the same time the readiness to take risks. These shared values should be part of companies' culture as a whole. We believe specific training should be given to all employees and workers to integrate these notions.

However, nobody knows how long the current crisis may last or how often some kind of similar crisis may occur. Europe has to prevent such effects and not just stay hopeless as they happen. In addition, almost all companies including the most profitable, are cutting down work places and create no new jobs. This has a dramatic effect especially on young graduates since they get no jobs as an incentive paying back their efforts. In order to maintain competence of the workforce, preserve motivation and believe in a better future, CEC European Managers suggests to promote a policy based on life long learning with salaries paid to people who accept such life long learning conditions. This policy could also be combined with active ageing efforts, since elder people with experience could provide knowledge and expertise to younger or less experienced people.

CEC does not support unlimited resort to "flexicurity" policies as developed by the Danish or Dutch models (highly flexible labour markets, weak employment protection, very quick transfers from one job to another). These strategies are not, in our view, a universal remedy for the labour market problems in all Member States. Relying only on flexible labour markets and quick transfers underestimates the benefits of a high internal flexibility that companies develop in countries with a high protection against unfair dismissals. The recent experiences with the financial and economic crisis have given even more credibility to this viewpoint. For example unemployment in Denmark is, at a first glance, still very low compared to the EU average. However, it has risen much more sharply (from below 2% to 4.5%) than in many countries who have a stricter employment protection and/or labour market instruments that aim at preserving jobs against unemployment. One example for such instruments would be the German "Kurzarbeit" (short work), roughly speaking a partial unemployment benefit for employees whose companies can no longer afford to employ their employees fulltime due to the economic crisis. CEC European Managers wishes the European economy to find a way to include people, taking advantage of their experience, rather than pushing them away for the sake of some short run financial strategy.

The involvement of the management is indispensable for an efficient dissemination of good practices as managers are the bridges between employers and workers. A strategy of growth through innovation requires different workers' behaviour than in the past and thus challenges the management to reach a "cultural fit" between innovation strategy and the underlying company culture. Specific tools can be developed to evaluate and further boost companies and organisations' innovativeness. Such a tool is an "innovation audit" which establishes innovation criteria focused on different areas of analysis, such as: business strategy (to check if innovation is integrated in the strategy), innovation output of the company, company structure (to check if it is compatible with an innovative environment), the quality and productivity of the innovation process, management tools and systems practiced in the company (again, to check if it is compatible with an innovative environment), company culture (to check if it integrates innovation).

A last word in the context of the Copenhagen Summit, which has been held just before the final definition of the "EU 2020" Strategy. CEC European Managers supports the idea of both protecting the environment and encouraging innovation. An environment-unfriendly innovation is a step going backwards instead of step going forward. Eco-design, technological innovation, organisational innovation, corporate culture and ethical responsibility, we believe these are all important notions to keep in mind to ensure that innovation and creativity are environmental friendly. Environmental protection should not

be felt as a constraint, but as a development opportunity. The precautionary principle compels companies and industries to invest in environmental friendly solutions. In this respect, innovation is necessary and can lead to economic growth.

To sum up the contribution of CEC European Managers for the "EU 2020" Strategy:

1. Creating value by basing growth on knowledge.
Yes, research and knowledge creation is vital. This is being funded through EU Framework Programs and should be maintained. But there is a crucial need of competency in the management of technology and innovation, in order to reach the "final mile" of the innovation process and ensure that economically useful applications are found for the knowledge acquired through research. Management of the innovation process is the only way to boost European innovativeness and increase Europe's competitiveness in the world economy.
2. Empowering people in inclusive societies.
Companies and workers around the world are currently facing what is admitted to be the worst economic and financial crisis in decades. Effects are especially felt on the labour markets with a European unemployment rate set to rise to double digit figures in 2010. For a successful exit from this crisis and to increase Europe's competitiveness in the world economy, innovation is a vital precondition. In particular, there is a need for skills and competences that enable people to be open to new ideas in a culturally diverse, knowledge-based society and to embrace change as an opportunity.
3. Creating a competitive, connected and greener economy.
With the management of innovation process, knowledge creation will be successfully used to benefit economic growth and increase Europe's competitiveness. Innovation is not a goal in itself, but a way to achieve better productivity and a better quality of life. The indicators of economic and material success should be supplemented by indicators which highlight the improvement or the deterioration of health and the quality of life, as well as of the preservation of natural heritage. CEC and its international counterpart encourage the action in favour of the environment of the global companies, because this has real repercussions in every country. In this sense we agree that: "A Europe that is open to the world will continue to be a model for others to follow, projecting its values and fostering stronger labour, environmental, and safety standards around the globe" as stated in the Commission consultation on the future "EU 2020" Strategy.