

“Business Support Networks Considered as a Driver of EU
SME Policy”
“İş Destek Ağları AB KOBİ Politikası'nın Temel Unsurlarından
Biridir”

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Anahtar Kelimeler

- 1) Avrupa Birliđi
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- 5) Avrupa Bilgi Merkezleri Ađı
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Anahtar Kelimeler

- 1) European Union
- 2) SME
- 3) EU SME Policy
- 4) Business Support
Networks
- 5) Euro Info Centers

Abstract

The premise behind this research has been that “EU Business Support Networks are main drivers of the EU SME Policy”. To assess the validity of this argument the effectiveness of the EU Business Support Networks has been scrutinized at EU SME Policy and local services. Firstly, main theoretical approaches to EU’s policy making system were examined. It was analysed that in sophisticated EU decision making system, there can not be a single theoretical explanation for EU’s decisions and politics. Policy network approach has been depicted a useful conceptual tool, to illustrate the nature of EU and SME’s in this research. In order to evaluate to EU SME Policy and understand the necessity of EU SME Policy European economy was analyzed. In this process it was determined that SME has a big employment and economic potential. In the next step, the legal structure of EU SME Policy was discussed.. All the related policy areas and programs were discussed. Finally EU Business Support Networks were defined. For this part three most efficient business support network were chosen as case studies. (EIC; IRC and EBN-BIC’s.) In conclusion, it was seen that EU Business Support Networks can able to contact with the regional and local SME’s and this network system is the main driver of EU SME Policy.

Özet

Bu araştırmanın temelinde AB İş Destek Ağlarının AB KOBİ Politikası’nın itici enstrümanı olduğu savunulmaktadır. Bu tezin doğruluğunu değerlendirme amacıyla İş Destek Ağları’nın karar verme sürecindeki ve yerel düzeydeki etkinliklerinin incelenmesi gerekmektedir. Öncelikle AB karar alma süreci teorik olarak değerlendirilmiş ve sofistike AB karar alma sürecinin tek bir teori ile yansıtılamayacağı anlaşılmıştır. Bu çalışmada AB ve KOBİ’ler arasındaki iletişimin doğru bir perspektiften değerlendirilebilmesi için politik ağ yaklaşımı ve çoklu yönetim sistemi temel alınmıştır. AB KOBİ Politikası ve öneminin anlaşılabilmesi ve değerlendirilmesi için öncelikle Avrupa Birliği ekonomisinde yaşanan değişimler ve KOBİ’lerin itici güç unsuru olarak değerlendirilmeleri incelenmiş ve KOBİ’lerin AB ekonomisinde büyük bir istihdam kaynağı olduğu ve ekonomik potansiyele sahip olduğu anlaşılmıştır. Bir sonraki adımda AB KOBİ Politikası’nı oluşturan yasal altyapı incelenmiş

ve böylelikle İş Destek Ağları'nın değerlendirilmesinde temel alınacak kriterler belirlenmiştir. İş Destek Ağları'nın incelendiği bölümde ise 3 İş Destek Ağı'nın hizmetleri ve işlevleri değerlendirilmiştir. Sonuçta AB İş Destek Ağları'nın, bölgesel ve yerel KOBİ'lere AB KOBİ Politikası'nın iletilmesi ve bu politikanın aktif bir şekilde işleminde en önemli rolü oynadığı ortaya konmuştur.

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ABBREVIATIONS

B2B	:	Business To Business Network
BIC	:	Business Innovation Centres
CBC	:	Cross Border Connect
DG	:	Directorate General
EBN	:	Electronic Business Network
EC	:	European Community
EFTA	:	European Free Trade Area
EIC	:	European Info Center
EICC	:	Euro Info Correspondence Centers
EPMC	:	Enterprise Programme Management Committee
ETF	:	European Technology Facility
EU	:	European Union
EUR	:	Euro
IDA	:	Interchange of Data Between Administrations
IPM	:	Interactive Policy Making
IRC	:	Innovation Relay Centres
MS	:	Member States
NBIA	:	National Business Incubation Association
NCP	:	National Contact Points
OECD	:	Organization for Economic Cooperation and Development
RE	:	Renewable Energy
SME	:	Small Medium Enterprise
SMIE	:	Support Measures and Initiatives for Enterprises
US	:	United States
USA	:	United States of America

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1. INTRODUCTION

This thesis explores the effectiveness of EU Business support networks in pursuit of participating in policy making for SME's development and improvement in EU. Drawing a conceptual framework of policy networks operating in the EU's multi-level governance serve as a model for the case of SME's. The study attempts to show the significance of business support networks, particularly their roles in the EU SME Policy.

The representation and mobilization of the interest groups have mattered to key business interest groups. Greenwood argues, "The EU agenda has historically been driven by economic prosperity and global competitiveness [...] and business related issues have been at the forefront of European integration and its everyday policy making"¹

In 1960's and 1970's large sized companies dominated the international market. However, the trend had changed and large firms have become downsizing or outsourcing in OECD countries.² These changes in the market shifted Europe's comparative advantage towards information technology and knowledge based activities.

In this circumstance it was underlined that micro, small and medium sized enterprises (SMEs) played a central role in the European Economy. In EU, 99,8 % of the firms are small and medium sized enterprises and supplies 2/3 of the general employment. Today in the larger European Union of 25 countries, some of 23 million SME's provide around 7 million jobs. It means that SME's have a big importance both from production and employment perspective for EU Member States.³

As a result there is a need occurred in order to support and developed the SME's. First steps had taken in 1980s. Between 1980s and 2000 many step had

¹ Greenwood,2003,p:74

² Enterpreneurship in Europe, 2003, p:4

³ ibid, p:8

been taken in the field of SME. Firstly, EU SME Policy was formed with the acceptance of “First SME Action Plan” in 1983 then The Second Action Plan and a White Book was prepared in 1993 and finally in 1994 Commission accepted a Working Program for SME’s.⁴

By these acts the EU SME Policy was formed. There is multilevel governance in the era of the SME Policy. EU’s responsible unit of the SME policy is the Enterprise Directorate of the EU Commission. In addition Member States, regions and local governments have role in the decision making process. In addition decision-making forums are organized with the participation of private, non-profit actors and SME interest groups at national and EU level.⁵

In this system, Member States retain the main competence in SME Policy (importance of regional and local level), in addition Community policies and actions support and complement by the national level actions. European Commission coordinates Member States’ actions, creates the ways for exchange of information and identification of best practices and implements and monitors the EU SME Policy. In addition Commission elaborates SME policy initiatives and promotes Modern SME policy for growth and employment. (Maarit Nyman, DG Enterprise and Industry, Multi-country seminar on SME development policies, Budapest, 30 November, 2005)

In this infrastructure EU Business Support Networks work as the basic tools of the EU SME Policy to form communication between Brussels and local SME’s.

1.1 Basic Concepts

1.1.1 Small and Medium Sized Enterprises

There are many different Small and Medium-sized Enterprises definitions in different economies. Because of this before discussing the EU SME Policy a

⁴ <http://europa.eu.int/scadplus/leg/en.htm>

⁵ www.uni-corvinus.hu/~pfuto/EU_SME_Policy_Futo.ppt

single definition should be made, in order to looking from a single perspective. In this thesis EU Definition will be used, for discussing and analyzing EU SME Policy and Business Support Networks.

In the end of the 1980s EU Member States had used different SME definitions which caused problems in the market. On May 1990 Industry Council requested a report on SME's. In 1992 this report which, European Commission had proposed limiting the various definitions of SME's in use at Community Level, submitted to the Council. Single European Market without internal frontiers made "a common definition of SME" necessary for improving SME's coherency and effectiveness. In addition a common definition would limit distortions of competition. This need was defined as;

*"Following the logic of a single market without internal frontiers, the treatment of enterprises should be based on a set of common rules. The pursuit of such an approach is all the more necessary in view of extensive interaction between national and Community measures assisting micro, small and medium sized enterprises."*⁶

After these developments, in April 1996, Commission adapted the first common SME definition by a Recommendation. (96/280/EC)⁷ Between 1996 and 2003 this definition has been widely applied throughout the European Union. The aim of this common definition was to hinder inconsistencies at Community level and at national level.⁸

According to this definition SME's divided into 3 categories: medium size, small size and micro size; according to their annual work unit, annual turnover and annual balance sheet.

Table:1 EU SME Definition - 1996

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual Turnover	Annual Balance sheet total
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⁶ Commission Recommendation of 6 May 2003

⁷ Commission Recommendation, 96/280/EC

⁸ Commission Recommendation of 6 May 2003

Medium-sized	< 250	< (or =) € 50 Million	< (or =) € 43 Million
Small	< 50	< (or =) € 9 Million	< (or =) € 10 Million
Micro	< 10	< (or =) € 1 Million	< (or =) € 1,4 Million

(Commission Recommendation, 96/ 280/EC)⁹

However the changes in the end of 1990s and the beginning of 2000s reflected general economic developments. Especially the developments in productivity and prices made it necessary to modify the financial thresholds. Moreover, to reach the capital was became a perpetual problem of SME's encounter, largely because they are often unable to give guarantees for traditional loans. The results of the wide-ranging discussions and the difficulties in interpretation between the European Commission, Member States, business organizations and experts, on 6 May 2003, a new recommendation was adapted by the European Commission (2003/361/EC)¹⁰

In this new definition, it was aimed to be more appropriate to the different categories of SME's and takes better account of various types of relationships between enterprises. In addition this new definition helps to promote innovation and partnerships, while ensuring that only the SME's which really need the support. As a result of these developments, discussions and needs the new "SME Definition" entered in the force on 1 January 2005. This new definition adapted and applied to the all policies, programs and measures which the Commission operates for SME's.¹¹

The new definition takes three new categories of enterprises. Each of them is suitable to a type of relationship which an enterprise would have with another enterprise. This differentiation is necessary in order to draw a clear picture of an enterprise's economic situation. These new categories formed and SME's

⁹ http://ec.europa.eu/enterprise/consultations/sme_definition/documents/com_smes_en.pdf

¹⁰ 2003/361/EC

¹¹ EC, The New SME Definition, p:6

defined according to the three peculiarities: balance sheet, annual turnover and staff headcount. Three categories of SME's; medium-sized, small and micro are defined according to these thresholds by the Commission as:

According to these definitions SME categories would be defined as in the following table.(Table:2)

Table:2 EU SME Definition - 2003

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual Turnover	Annual Balance sheet total
Medium-sized	< 250	< (or =) € 50 Million	< (or =) € 43 Million
Small	< 50	< (or =) € 10 Million	< (or =) € 10 Million
Micro	< 10	< (or =) 2 € Million	< (or =) € 2 Million

(The New SME Definition, EU Commission, Enterprise and Industry Publications, 2005)¹²

“The category of micro, small and medium sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. Within the SME category, a micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.”¹³

The SME definition of European Union will be helpful for perceiving the positions of the SME's. Today, usage of the SME definition is a voluntary for Member States, but European Commission is inviting member states, European

¹² The New SME Definition, EU Commission, Enterprise and Industry Publications, 2005

¹³ Official Journal of European Union, L124/39

Investment Fund and European Investment Bank to apply and adapt SME Definition as widely possible.¹⁴

1.1.2 EU SME Policy

The activities and the working areas of the Commission divided into separate policy areas like the ministries in the national governments.¹⁵ EU SME Policy coordinated by the DG Enterprise. DG Enterprise is responsible from Enterprise Policy, Policy, Enlargement, Promoting entrepreneurship and SMEs, Crafts, Social Economy, Access to finance, Innovation Policy, Tourism, E-business - Information and Communication Technology industries and services, Responsibility, Single, Free Movement of Goods, Better Regulation, Environment and Sustainable Development, Space policy and IDABC (Interoperable Delivery of European e-Government Services to public Administrations, Businesses and Citizens)¹⁶

The European Commission's Enterprise policy objected to create a favorable environment for enterprises and business in Europe, in addition creating productivity growth and the job and wealth necessary to achieve the goals which were formed in the European Council in Lisbon in March 2000.¹⁷

1.1.3 EU Business Support Networks

The meaning of the EU Business Support Networks should be given. The European business support Networks which were formed by the European Commission, are recognized for their 'in-depth knowledge' of the needs and problems of European SME's.¹⁸

Firstly Business and Innovation Centers Network was built in 1984. Then Euro Info Centers Network was formed in 1987 and finally in 1997 Innovation Relay Centers Network was established. In the next pages there will be more information about these Networks however it should be underlined that these 3

¹⁴ EC, 2004, The New SME Definition, p:6

¹⁵ Nugent, 1999, p:110

¹⁶ http://ec.europa.eu/enterprise/enterprise_policy/index_en.htm

¹⁷ *ibid.*

¹⁸ <http://ec.europa.eu/enterprise/networks/b2europe/b2europe.html>

networks are the biggest Networks of the EU. Every network has different services on specific areas.

In order to increase their co-operation, sharing of experiences, information and good practice examples Commission aimed to create an alliance between these Networks. In 2001 Commission explained that there is a communication need for EU support networks for becoming more visible to their target audiences. Then in the beginning of the 2003, former Commissioner Liikanen published a Communication outlining the current b2europe initiative. It was added that the main objective of b2europe is “the provision of better services for SMEs, in particular through more coordinate management and structures of the network.”¹⁹

Today the concept of the b2europe is defined as “an integral part of the European Commission’s policy to assist SME’s on the issues of creation, innovation and development.” In addition it was underlined that the main principle of the b2europe is ‘putting the interests of the client first.’²⁰

1.2 Aims

Having mentioned the role and importance of business support networks in EU SME Policy, the aim of this thesis will be to analyze the activities and the services of business support networks in the line with the goals of EU SME Policy. The Euro Info Centers, EBN and Innovation Relay Centers will represent core case study material. The position of networks in the implementation of EU SME Policy towards reaching the goals will be examined throughout this research.

1.3 Hypothesis and Research Questions

This thesis will be examined the validity of the arguments “Business Support Networks exerts a significant role in EU SME Policy” and “Business Support

¹⁹ <http://ec.europa.eu/enterprise/networks/b2europe/b2europe.html>

²⁰ <http://ec.europa.eu/enterprise/networks/b2europe/b2europe.html>

Networks is the Main Driver of the EU SME Policy”. I aimed to assess the effectiveness of the services and the activities of Business Support Networks for reaching the goals of the EU SME Policy.

Main questions to be analyzed during this study are:

- What is EU SME Policy?
- Is there a Need for an SME Policy in EU?
- What is the meaning of SME's?
- What are the tools of the EU SME Policy and the position of the Business Support Networks in it?
- Do Business Support Networks have positive effects of SME's?
- Are Business Support Networks main driver of the EU SME Policy or not?

The thesis will tackle the research question with an attempt to apply it to business networks within the framework of policy networks.

1.4 Justification

Today many scholars' even EU politicians would prefer the term of governance for the EU system instead of government. The Union is a complex political and economic entity, in comparable to any classical state or an international organization. Union is not a single state, it is composed of member states and has no unitary government and a territory which has fixed or stable borders. In addition EU has powerful institutions acting like a government. This system presents non-hierarchical, collective governance.

According to Cram the term of multi level governance, which was improved in the context of the structural policy of the EU, is used to describe how the EU functions and identify various forces that contribute to the EU's development as a system. In this system actors are in various levels such as local, regional,

transnational and international. These actors participate and involve in the process of governance.²¹

Peterson conceptualizes ‘policy networks’ as an instrument for analyzing EU policy making and defines policy networks which is a metaphor for clusters of actors, as an area of mediation of the interests of interest groups and government.²²

There are many studies and works on interest groups and lobbying activities in EU. However in the mechanisms of the EU Business Support Networks, create a system in which SME’s problems directly transmitted to EU Commission. So it can be said that these “feedback systems” work as transition of the demands of an interest group –SME’s-. In addition the purpose of this thesis is to explore a field of study, in which an accumulation of recent work has not been surveyed thoroughly. The influence of interest groups as a major player in the EU decision making procedure has been investigating at lobbying level whereas in the case of networks in its path to transmit the demands of an interest group has not been analyzed comprehensively.

This topic is challenging field of research. Thus the outcome of this thesis may offer an original insight and a fruitful contribution in its attempt to address to research question from a different angle. This project also reflects my interests on analyzing the role and the activities of Business Support Networks, as the powerful network in the EU.

1.5 Methodology

In this thesis qualitative method is going to be adopted as opposed to quantitative method. Qualitative method is a generic term that refers to many techniques including participant observation²³. Qualitative method is the most appropriate method of researching for this topic. In this method systematic

²¹ Cram L,1999, p:13

²² Peterson,1999,p:8

²³ Marsh, 1995, p:135

collection of relevant data and extensive interpretation of the researchers can be reached.²⁴

In this thesis focus down approach will be used. It sets of relevant conceptual framework, will be followed by an empirical analysis comprising the case study in the light of the research question. Dunleavy claimed that the essence of the case study is that students break out the system of secondary material. In addition students have direct contact with primary source materials and by this way they have generated themselves from “scratch”.²⁵

Secondary sources such as books, articles in journals will be consulted to demonstrated academic literature for background theories. In the line with the main objective of this thesis, the emphasis will be on primary sources, relying on Green Papers, Programs, working documents, government and private sector publications and researches and reports of European Commission. In addition official websites of European Commission, DG Enterprise, Business Support Networks(EIC;EBN;IRC) and similar organizations websites will be the major source of accurate and up-to date information.

1.6 Structure

This thesis consists of six main chapters, each being subdivided into sections and a conclusion. After the introduction, Part 1 which includes theorizing part will be preceded by an introduction with the thesis problem and the way it will be addressed.

Part 2, consist sets up the background for this study. In this chapter a general overview of EU SME Policy will be provided. In addition necessity of the EU SME Policy will be discussed.

The third part deals with the legal framework of the EU SME Policy. In this part European Charter for Small and Medium Sized Enterprises, Multiannual Programme for Enterprise and Entrepreneurship and Thinking Small in An

²⁴ *ibid.* p:152

²⁵ Dunleavy,1986,p:115-116

Enlarging Europe will be examined. It also explains the principles, lines of action and the strategy of the EU SME Policy. Part 4 the developments, activities and the programs will be dealt in the area of EU SME Policy. In fifth part, the structure of the EU Business Support Networks will be discussed.

The final chapter of the thesis, the Conclusion evaluates the general findings and examines the extent to which the core chapter defended the hypothesis. The objective here is to interpret the findings extensively and to connect the empirical research to reality and existing body of scientific knowledge. This chapter will attempt to find out whether the EU Business Support Networks are the main drivers of the EU SME Policy.

2. THEORISING EU POLICY MAKING SYSTEM

This part reviews main theoretical approaches to characteristics of EU policy making system. The characteristics of policy making system are seen as relevant in determining the research question within the broader conceptual framework. The contrasting theoretical approaches of neofunctionalism and intergovernmentalism will be analyzed as the classical EU integration theories. The multi level governance system of the EU and policy networks will be discussed as the essential literary angle for the purpose of the thesis.

Many scholars aimed to build ways in which structure of the EU integration process might be theorized. By these studies a broad understanding of factors was occurred. In addition answers were formed for the question of “How integration is likely to proceed?” This is named as Grand Theory which explains the main instruments of the EU integration process. However from 1970s the Grand Theory begun to decline by the effects of disillusionment set.²⁶

²⁶ Nugent, 1999, p:506

Today neofunctionalism and intergovernmentalism theories are used in order to explain the process and factors of the EU. Neofunctionalism and intergovernmentalism can be seen as the classical theories on the EU integration. The conceptual framework of the policy networks is represented the essential literary body for the purpose of this thesis.

2.1 Classical EU Integration Theories

In early years EU integration was analyzed as a supranational model or an intergovernmental collaboration between member states.²⁷

The neofunctionalism theory was formed from international relations theory at the end of 1950's and during 1960's. Ernest Haas and Leon Lindberg are the formers of this new theory. Neofunctionalism has 2 important variants: "functional arising from economic integration and political starting with the investment of identities from national to EU level."²⁸

The main argument in the discussion is "although international integration may be initiated by government, once established they develop their own momentum and lock states into patterns of collective behaviour, in search for supranational policy solutions."²⁹

The first studies in order to explain emerge of interests groups at EU level eliminated from neofunctionalist approaches. In early 1960s Ernest Haas

²⁷ *ibid*, p:506

²⁸ *ibid*, p:507

²⁹ Ham, 2001, p:4

claimed that business interests would give a new dimension to the European integration process.

On the other hand Greenwood argues “integration is one sector would become impossible because real harmonization would require a range o other measures, thus involving spillover from one sector to another. In addition he argued that whenever businessmen understand and see the value and effectiveness of the EU integration, they would turn to the national government in order to underline their demands and form political representations in Brussels for being sure that their demands are represented in EU level.³⁰

The other Classical EU Integration theory is the inter-governmentalism which is more particularly the realist tradition. “Unlike functionalism, realism does not accord much importance to the influence of supranational or transnational actors and only limited importance to non-governmental actors within states.”³¹

This argument of Nugent, European Commission and European Court of Justice can be shown as the supranational or transnational actors. In addition from this perspective European firms and interest groups can be located in the transnational actors’ side.

In inter-governmentalism states are seen as the unitary actor in decision making process of the EU. In addition states are the main actors of the EU decision making procedure. On the other hand Hogue argues that state centric model underlines that the overall direction of policy making is controlled by states.³²

According to Nugent although there is recognition that other actors could have some effect on developments, in inter-governmentalism other actors have no controlling influence on policy making procedure.³³

³⁰Greenwood,1995,p:2

³¹ ibid, p:509

³² Hooghe, 2000, p:2-3

³³ Nugent, 1999, p:509

Andrew Moravcsik formed another model of inter-governmentalism. This framework was named with liberal inter-governmentalism which draws on the assumptions that preferences are made at the domestic level. According to this sophisticated version, outcomes are the results of bargaining and negotiation process.³⁴

According to Caporasso there are 3 components of liberal intergovernmentalism: assumption of rational state behavior, liberal theory of national preference and intergovernmentalist interstate relations.³⁵ In that sense Moravcsik argues that EU is a successful example of intergovernmental regime which designed to manage economic interdependence with negotiated policy coordination.³⁶

To sum up on the one hand neo-functionalism underlines the role of interest groups in decision making process. On the hand according to intergovernmentalism most important and powerful body in the integration process is the states. In this theory, interest groups and their influence are put under the control of the national preferences.

2.2. Comparative Politics: Middle Range Theory

In the first part it can be seen that the nature of the EU integration process was analyzed as a whole. Middle range theory approach takes up alternative perspective to define EU politics rather than EU integration.

According to Hix many scholars used international theory in order to understand European Community. However comparative politics aim to explain European Community from he political system perspective.³⁷ In addition, international relations plurality theory concrete on the attitudes of actors. However comparative pluralist theory approaches determines the nature of the interest representation.³⁸

³⁴ Caporasso,1998,p:7

³⁵ Nuggent, 1999, p:509

³⁶ Caporasso,1998,p:7

³⁷ Hix,1999, p:2

³⁸ ibid, p:22

According to Payne and actor based pluralism competing with economic and social interests' forms political results in a democratic system. He added that "the understaffing of most Commission Directorates and multiple channels of access to decision making gives organized interests at the European level more opportunity to be heard than in the more corporal national systems, where decision making is traditionally controlled by the governing parties and co-operated peak organizations of business and labor."³⁹

Both IR theories and comparative politics theories have their value and missing. The EU policy making is not only a part of EU integration but also has a more complex structure and this kind of macro-analyses can not define the inner dynamics and other complex patterns in decision making system.

2.3 New Institutionalism

Institutionalism is a social theory and focuses on developing sociological views of institutions, their activities and their effects. In the late 1980s new institutionalism has seen a revival of the focus on the study of institutionalism from the perspective of economics and political science. New institutionalism explains that institutions operate in an environment consisting of other institutions and every institution is influenced by this environment in which target of the institutions is basically survived.

Hall and Taylor underlined that there are 3 analytical approaches within new institutionalism: "historical institutionalism, rational choice institutionalism and sociological institutionalism"⁴⁰

According to Nugent nature of the EU system can be work with new institutionalism from the historical approach.⁴¹

2.4 Multi-Level Governance

³⁹ Nugent, 1999, p:515

⁴⁰ Nugent, 1999, p:516

⁴¹ *ibid* , p:517

Multi level governance is a new approach which emerged in early 1990s. In this governance model “states are an integral and powerful part of the EU but they no longer provide the sole interface between supranational and sub national arenas, and they share rather than monopolize control over many activities that take place in their perspective territories.”⁴² In this approach the role of governments in decision making process does not rejected totally but also it was underlined that they do not dominate and control the decision making process.

2.5 Policy Network

‘Policy network’ is often used as a metaphor to illustrate that policy making involves too much actors or as a valuable instrument to analyze the relationship between actors in a policy sector.

Börzel argued that policy network is a set of stable hierarchical or interdependent relationships between the actors and these actors share common interests within a policy.⁴³

Policy network is the most recent framework to understanding the policy making process in the EU. The types and the influence of networks vary considerably across the policy spectrum of the EU. Peterson and Boomberg defined the three types of EU decision according to the levels: ‘history making decision, policy setting decision and policy shaping decisions’. History making decisions take at super systematic level (such as EU treaties) and policy setting decisions take at systematical level (such as decisions of Council or Parliament) , lastly policy shaping decisions at sub-systematic level (such as decision of Commission and Council).⁴⁴

⁴² ibid , p:501

⁴³ Börzel, T.A. ,1997 ‘What’s So Special About Policy Networks? An Exploration of the Concept and Its Usefulness in Studying European Governance’, *EuropeanIntegration Online Papers*

⁴⁴ Peterson, et. al, 1999, p:4

Policy networks are frequently displayed as a proper model for involving a wide spectrum of actors who share information and consultant each other, which eventually strengthens the transparency and democratic accountability of decision making process in the EU context.

According to Kassism, when the policy network approach compare with the other models it can be seen that policy networks approach takes into account the part played by private and public actors.⁴⁵

The EU institutions supported emerge of different networks in the policy making process. In addition these private, public and individual networks are incorporated to the process by virtue of technical expertise and consultation power they posses.

*“The highly pluralist pattern exhibited by the EU policy networks is a consequence not only numerous actors efforts to influence the European policy process in an early stage of formulation, but also of a deliberate networking strategy employed by the European institutions especially the Commission.”*⁴⁶

In conclusion, inferred from the discussions so far is that the scholarly analysis of the EU is contested and debate revolves around statehood and collectivity. The EU as a unique structure stands between Comparative politics and international relations, national and international, government and governance.

In this thesis it was aimed to understand the efficiency of the Business Support Networks in the EU SME Policy. In addition it was aimed to show the effectiveness of the activities of Business Support Networks. Therefore the concept of policy network is the most useful one for illustrating how a wide range of players interact and influence the decisions.

⁴⁵ Kassism,1994,p:19

⁴⁶ Nugent,1999,p:517

3. INTRODUCING TO THE EU SME POLICY

The second Chapter of this thesis is about the EU SME Policy. In order to have an understanding the success of Business Networks in EU SME Policy, EU SME Policy should be defined.

In this part, firstly the international economical environment will be discussed. Then an answer will be asked for the question of “Is there a need for EU SME Policy? or a common policy in this area? ”. Finally at the end of this chapter aims and the targets of the formation of EU SME Policy will be discussed.

In the last century economists claimed that there will be the dominance of the large firms in the international economy. The size of the firms was important for obtaining economies of scale, exploiting foreign markets and keeping the new opportunities of technology. In addition it became truth and in 1960’s and 1970’s large sized companies dominated the international market. However, the trend had changed and large firms have become downsizing or outsourcing in OECD countries. Between 1972 and 1998 the number of business owners increased from 29 million to 45 million. ⁴⁷

On the other hand structural changes in the market shifted Europe’s comparative advantage towards information technology and knowledge based activities. By the effects of the globalization, manufacturing firms in high-cost locations was increased productivity by using technological inputs. These changes in the European market had created opportunity for new entrepreneurial initiative.

3.1 Is There a Need for A SME Policy?

⁴⁷ Enterprenuership in Europe, 2003, p:4

It can be seen that EU has many important studies in order to develop SME's and entrepreneurship in EU. Thus before analyzing EU SME Policy, the environment should be understood. Is there a really need for a common SME Policy or not? In this part it was aimed to have an answer for this question.

Firstly, it was underlined that micro, small and medium sized enterprises (SMEs) played a central role in the European Economy. In EU, 99,8 % of the firms are small and medium sized enterprises and supplies 2/3 of the general employment. Today in the larger European Union of 25 countries, some of 23 million SME's provide around 7 million jobs. It means that SME's have a big importance both from production and employment perspective for EU Member States. In addition, they increase competitiveness market conditions. These characteristics create entrepreneurial spirit and innovation in the EU. Therefore one of the European Commissions priorities for economic growth, job creation and economic and social cohesion is to give support to SME's. Because of this situation SME's are forming a big importance for EU economy.⁴⁸

In last 20 years on the one hand the rate of economic growth decrease from 4% to 2,5% on the other hand unemployment rates increasing in each decade periods. In addition the competition capacity of EU weakened towards US and Japan. In this pessimist picture of EU economy, development of the SME's was seen as a key instrument by the EU Commission.⁴⁹

As a result it can be seen that there is a need of forming a SME Policy in order to increase economic growth and decrease employment rates in EU.

3.2 Goals of the EU SME Policy

In order to understand the importance of EU SME Policy, aims and the goals of the policy should be discussed. This discussion can be give not only tips about EU SME Policy but also information about the needs and the existing problems.

⁴⁸ *ibid* , p:5

⁴⁹ *Enterprenuership in Europe*, 2003,p:4-8

If the Characteristic features of SME policy in EU member states analyzed it can be seen that each states had its own SME policy and focus on a specific aim. For example; Great Britain SME Policy focused on job creation and avoiding interventionist policies. Italy emphasized on local networks, Spain and Greece emphasized on support of family-owned micro-companies and Ireland focused on the elimination of dual economy which effect SME.⁵⁰

As a result of these differences, basic aim was to create a common SME Policy and perceive on SME's demands, problems, etc. In addition combine all these SME policies into a one infrastructure.

The goals of the EU SME Policy can be discussed under the three subtitles: improving competitiveness, improving business environment and supporting industrial changes.

3.2.1 Improving Competitiveness

First aim of the EU SME Policy is to improve competitiveness in industry. EU define competitive power as the ability of increasing the capacity of surplus value and employment creation by trade, industry, supranational bodies countries and regions in this international competitive area. In other words competitive power can be reached by the means of job creation and surplus value. Especially improving the working efficiency plays an important role in reaching competitive power, increasing individual life quality and new employment areas. Finally, efficiency in production would provide the increase usage of competition advantages.⁵¹

Enterprises are in the center Lisbon Strategy which targeted to be more efficient in competition in information technologies. In “Observatory of European SME's”, it was underlined that providing sustainable growing, better

⁵⁰ www.bke.hu/~pfuto/EU_SME_Policy_Futo.ppt

⁵¹ Avrupa Birliği'nin Girişimcilik Politikası ve Türkiye'nin Uyumu, IKV, 2001, p:6

employment opportunities and social integration could be achieved with the success of the enterprises and especially SME's.⁵²

As it was mentioned before in 1980s EU lost its competitive power towards US and Japan, in addition increase of unemployment rates were forced EU Economy. By the last developments in the world economy, this two important problems (unemployment and competition) had increased their effects. On the other hand there were important changes in production processes and quality of the labor force. For this reason, the performance of an economy is became directly related with adaptation to these new developments.

In this step EU had faced with problems and obstacles. Three factors of sustainable economic growing and increasing employment are defined as: 'establishing a macroeconomic structure which supports market powers, increasing the level of European industrial competition and formulating activities which are not only disappeared lacks and problems in the Single Market but also increase the competition level'. These are drawn as the main necessities of the European Market and these needs force to create a common policy in this area.⁵³

In today's global world market and economies enterprises should not only compete in national market but also international market. Because of this environment, EU enterprises should adopt themselves and should be adapted to the global competition era. In order to reach this goal, four main factors were determined by the European Commission. These factors, which play an important role, would shape global competition policy of the industry.

Firstly, innovation and production capacity for forming new employment areas should be increased especially for health, environment, bio-technology, communication and culture sectors. These sectors could increase the industrial power of the EU. Secondly active cooperation policies should be developed between EU and East Europe and Pacific countries. Thirdly a coherent

⁵² SME's in Focus, 2002

⁵³ Avrupa Birliği'nin Girişimcilik Politikası ve Türkiye'nin Uyumu, IKV, 2001,p:7

approach should be formed in order to establish competitive strategic partnerships. Fourthly, the barriers and blocks which hinder EU companies growing should be removed. Moreover another important step is “developing the competitiveness of the companies and forming a shift to the information technology”.⁵⁴

3.2.2 Improving Job Environment

The second goal of the EU SME Policy is improving job environment. For European Community, in order to have a successful EU Industry Policy an appropriate job environment should be created. In this policy area, most important aims of European Community is to create a business environment for SME’s development by the instruments of supporting enterprises on reaching new technologies and decision-making procedures, entrepreneurship programs and accelerating company establishment procedures.⁵⁵

EU Commission explains this approach from the concept of horizontal industry policy. In the concept of horizontal industry policy, it was aimed to hinder the risk of inefficient resource usage and to service to the each of the sectors equally. Therefore Commission adopts an approach in which governments should improve and sustain an appropriate job environment and private sector should get the main responsibility and initiative of industrial competitiveness power. In this approach governments are not only play a role in crisis management but also get a strategic role in getting cautions before the crises. In addition governments should support the development of future’s sectors with the usage of other instruments of the industry policy.⁵⁶

3.2.3 Improving Industrial Developments

Enterprises and other real economy actors are responsible in harmonization of the economic changes. But also governments must take the main cautions which facilitate and accelerate this harmonization. Formerly EU economies

⁵⁴ Commission Proposal White Paper on Competitiveness Growth and Employment,p:5-12

⁵⁵ Avrupa Birliği’nin Girişimcilik Politikası ve Türkiye’nin Uyumu, IKV, 2001,p:7-9

⁵⁶ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_06a.htm

passed over many transformations but today they are faced with more complicated and bigger in harmonization to the information technology. Moreover enterprises should keep abreast of the globalization.

Futo defined the goals of the EU SME Policy according to the periods. In 1990s, the goals of the EU SME Policy were simplified administration, better regulations, better financial environment, providing better information on issues related to the EU and the international environment, strengthening the competitiveness of SME through better access to training and research and development resources and supporting the culture of entrepreneurship and certain target groups. However the goals of EU SME Policy were shift to emphasis on entrepreneurship and risk-taking as values and skills to be learned, responding to the challenges of the new information era, knowledge-based society, dissemination of innovation after 2000 by the results of Lisbon Summit.⁵⁷

In conclusion, in this chapter it was aimed to answer the question of “Is there a need for EU SME Policy or not?” The system in world market and the structure of the Single Market forced EU for the regulations and amendments in many economic areas. In addition one of them is the SME’s. It can be seen that SME’s play an important role in the EU economy. Moreover there is a need for regulations in the EU market not only protect the SME’s in the competitive market but also increase their power in the economy and improve the spirit of entrepreneurship in EU. According to these priorities, it was underlined that EU should have an SME Policy.

Finally, aims and the goals of the EU SME Policy were discussed in this chapter. It was mentioned before; these goals could give tips about the necessity of the EU SME Policy. There are 3 main goals of the EU SME Policy; improving competitiveness, improving job environment and improving industrial developments. These goals shaped the main roots of the EU SME Policy.

⁵⁷ www.uni-corvinus.hu/~pfuto/EU_SME_Policy_Futo.ppt

In order to discuss the framework of the EU SME Policy in the next chapter, this chapter presented the main instruments, definition of the EU SME Policy.

4. LEGAL FRAMEWORK OF THE EU SME POLICY

In order to have a better understanding on EU SME Policy, the legal framework should be discussed. EU SME Policy's Legal Framework is based on the Article 130 of the Maastricht Treaty in 1992.

TITLE XIII INDUSTRY

(Article 130)

“ 1. The Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist.

For that purpose, in accordance with a system of open and competitive markets, their action shall be aimed at:

- speeding up the adjustment of industry to structural changes;**
- encouraging an environment favorable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings;**
- encouraging an environment favorable to cooperation between undertakings;**
- fostering better exploitation of the industrial potential of policies of innovation, research and technological development.**

2. The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination.

3. The Community shall contribute to the achievement of the objectives set out in paragraph 1 through the policies and activities it pursues under other provisions of this Treaty. The Council, acting unanimously on a proposal from the Commission, after consulting the European Parliament and the Economic and Social Committee, may decide on specific measures in support of action taken in the Member States to achieve the objectives set out in paragraph 1.”⁵⁸

In this article it was clearly defined that Community, member states should provide the necessary needs of the Community industry for getting competition power. By this article the responsibility of improving competitive power had been given to the European Community and Member States.

In this period important role of SME's conceived by the EU Commission and as a result first steps had taken in 1980s. Between 1980s and 2000 many step

⁵⁸ Maastricht Treaty in 1992- Article 130

had been taken in the field of SME. Firstly, EU SME Policy was formed with the acceptance of “First SME Action Plan” in 1983. That year was named with “Small Enterprises and Small Industry Year”. The Second Action Plan was prepared in 1987. Moreover in 1989 a new Directorate General was formed in the structure of EU Commission. In order to achieve the goals of the White Book which was prepared in 1993, in 1994 Commission accepted a Working Program for SME’s.⁵⁹

Third Multi Annual Program for Enterprise (between 1997 and 2000) was prepared according to the bases of Amsterdam Treaty. On January 2000, DG Entrepreneurship and DG Industry were united under a single Directorate General. This means that hereafter enterprise and industry policies are considered as a whole. This structural change affords not only reconstruction of the related policies but also provide more harmonization and unity.⁶⁰

SME’s was reached more importance in EU level with the Lisbon (2000) and Feira (2000) Summits. The special importance of SME’s for the EU was defined as,

“Micro, small and medium sized enterprises are the engine of the European economy. They are essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment [...]”⁶¹

After the Lisbon Summit, in the view of the facts about the importance of the role of SME’s in the competitiveness and economic growth, EU Commission had more significant steps. Finally, The Fourth Multi Annual Program for Enterprise was completed between 2000 and 2005.

4.1. The European Charter for Small Enterprises

⁵⁹ <http://europa.eu.int/scadplus/leg/en.htm>

⁶⁰ http://ec.europa.eu/enterprise/entrepreneurship/action_plan.htm

⁶¹ Lisbon Summit, 2000, <http://europa.eu/scadplus/leg/en/cha/c10241.htm>

The European Charter for Small Enterprises, which adapted at the Feira Summit in June 2000, formed the root of the EU SME Policy. In addition, this Charter became an important document in encouraging SME's interests. This Charter gives some examples which emphasis on participation of NGO's and MS in to these ten areas. In this Charter it was underlined again that SME's are "the backbone of European economy" and they are the most sensitive of all to changes in business environment. In this document principles of the EU SME Policy was defined according to the urging to SME's.⁶²

At the first the situation of SME's is drawn. According to this picture, first point can be seen as "acknowledge the dynamic capacities of small enterprises in answering too new market needs in providing jobs". It means that main characteristics of SME's, such as the dynamic capacities and provide new jobs, should be underlined. Second point is to stress the importance of SME's in fostering social and regional development. In addition, they are the most important examples of initiative and commitment for the other parts of the society. Third one is relating with the entrepreneurship.⁶³

It was mentioned that entrepreneurship should be recognized as a valuable and productive life skill. Fifthly, successful SME's should be appreciated. It was added that they should be fairly awarded. On the other hand unsuccessful stories or the failures should be seen as a learning opportunity. Last part of this picture is to recognize the values of acknowledge, commitment and flexibility in the new economy.⁶⁴

From this picture it can be seen that EU aimed to strengthen the spirit of entrepreneurship. In addition it was underlined that EU can be improved by action to stimulate entrepreneurship, to evaluate existing measures and to make them small-business-friendly.

⁶² <http://europa.eu/scadplus/leg/en/lvb/n26002.htm>

⁶³ http://ec.europa.eu/enterprise/entrepreneurship/action_plan.htm

⁶⁴ http://europa.eu.int/comm/enterprise/enterprise_policy/charter/docs/charter_en.pdf

According to this perspective and these problematic areas, the principles of the SME Policy were created as;⁶⁵

“Strengthen the spirit of innovation and entrepreneurship, which enables European business to face the challenges ahead; Achieve a regulatory, fiscal and administrative framework conducive to entrepreneurial activity and improve the status of entrepreneurs; Ensure access to markets on the basis of the least burdensome requirements that are consistent with overriding public policy objectives; Facilitate access to the best research and technology; Improve access to finance throughout the entire life cycle of an enterprise; Improve our performance continuously, so that the EU will offer the best environment for small business in the world; Listen to the voice of small business; Promote top-class small business support.”⁶⁶

Appropriate to these principles in order to answer the needs of SME’s, “lines of action” were determined in this Charter as the following:

4.1.1 Lines of Action

a) ‘Education and Training for Entrepreneurship’

Europe has an entrepreneur and new skills. General knowledge about business and entrepreneurship needs to teach at all school levels. In addition business related modules should be made an essential part of education at all levels of education from secondary school to university. In addition EU will encourage and promote youngster’s entrepreneurial efforts and develop suitable training programs for managers in small enterprises.⁶⁷

b) ‘Cheaper and Faster Start-up’

The cost of companies’ start-up should regulate towards the most competitive in the world. Countries with the longest and most burdensome bureaucratic

⁶⁵ http://europa.eu.int/comm/enterprise/enterprise_policy/charter/docs/charter_en.pdf

⁶⁶ *ibid.*

⁶⁷ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_01.htm

procedures for approving new companies should be improved to catch up with fastest. In addition access for registration should be increased.⁶⁸

c) 'Better Legislation and Regulation'

National banking laws should be modified according to the good practices. The experiences in benchmarking showed that there should be improvement of current practices in the EU. In addition new regulations should be made to assess their impact on SME'S and entrepreneurs, both at national and Community level. Lastly at national level governments should adapt user-friendly administrative documents and at EU level Commission could simply competition legislation to remove the burden of compliance for SME's.⁶⁹

d) 'Availability of Skills'

EU has studies on guarantee training institutions, complemented by in-house training programs, deliver supply of skills adapted to the needs of SME's and provide life-time training.⁷⁰

e) 'Improving Online Access'

Under this title it was emphasis that public authorities and governments should be urged to increase their electronic communication with small business sectors. By this, companies will be able to receive advice, make applications, file tax returns or obtain simple information online, therefore faster and more cheaply. The Commission must draw examples in this area.⁷¹

f) 'Getting More Out of the Single Market'

SME's are feeling the advantages from the reforms underway of Europe's economy. Because of this, the European Commission and MS must watch the reforms underway aiming at the completion in the Union of a true internal market in critical areas for development of SME's. The critical areas are

⁶⁸ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_02.htm

⁶⁹ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_03.htm

⁷⁰ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_04.htm

⁷¹ http://europa.eu.int/comm/enterprise/enterprise_policy/charter/docs/charter_en.pdf

electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems.

Moreover, in application of European and national competition rules, to make sure that small businesses have every chance to enter new markets and compete on fair terms.⁷²

g) 'Taxation and the Financial Matters'

Tax systems should be regulated to reward success, encourage start-ups, favor small business expansion and job creation, and facilitate the creation and the succession in small enterprises. At the same time governments MS should apply best practices to taxation and to personal performance incentives.⁷³

SME's need finance to translate their entrepreneur spirit into reality. In order to improve the access of SME's to financial services 3 steps were determined by Charter: "identify and remove barriers, improve the relationship between banking system and SME's and improve the access to the structure funds and welcome initiatives by the European Investment Bank.

h) 'Strengthening the Technological Capacity of the SME's'

It was underlined that existing programs of EU on the capacity of SME's promoting technology dissemination towards SME's as well as to identify, select and adapt technologies, should be strengthen. In addition it was aimed to develop the relationships between SME's and higher education and research institutions and support inter-firm-co-operation, at local, national, European and international levels. In addition it was defined that EU will support the establishment of co-operations between SME's, at local , national and international level and creation of networks in order to improve SME's capabilities to enter pan- European markets and to extend their activities in third markets.⁷⁴

⁷² *ibid*, p:15

⁷³ *ibid*, p:17

⁷⁴ *ibid*, p:19

i) 'Making use of Successful e-business models and developing top class business support'

The Commission and MS should support the best practices and adopt successful business models that appropriate to new economy. In addition, Member States and EU activity to create information and business support systems, networks and services will be coordinate and support from mentors, including through websites.⁷⁵

j) 'Developing stronger, more effective representation of small enterprises' Interests at Union and National Level'

In order to develop representation of SME's interests at Union and national level, it was mentioned that the open method of coordination of national enterprise policies will be used. It was added that SME's will be monitored and evaluated by the Commission Reports.

Not only EU but also MS should be have an active role in these 10 lines of action in order to create the most suitable environment for SME's which benefited from information technologies. This Charter, which is parallel to EU Lisbon Strategy, became of the EU SME Policy. At Lisbon Strategy EU set the goal of becoming the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, more and better jobs and greater social cohesion.⁷⁶

4.2 The Multiannual Program for Enterprise and Entrepreneurship

In 2000, Council decided on **The Multiannual Program for Enterprise and Entrepreneurship**. (Council Decision (2000/819/EC) of 20 December 2000)⁷⁷ This program was amended in 2005 by the Decision of the European Parliament and Council. In addition this Program is also an instrument for implementing the 10 Action Lines of the European Charter for Small

⁷⁵ ibid, p:20

⁷⁶ ibid, p:21

⁷⁷ Council Decision 2000/819/EC

Enterprise. This program is a framework plan of activities (Decision of Parliament 1776/2005/EC)⁷⁸ which aim at:

- “1. Enhancing the growth and competitiveness of business in a knowledge-based internationalized economy;
2. Promoting entrepreneurship; simplifying and improving the administrative and regulatory framework for business so that research, innovation and business creation in particular can flourish;
4. Improving the financial environment for business, especially SMEs;
5. Giving business easier access to Community support services, programs and networks and improving the coordination of these facilities.”⁷⁹

By the Council Decision it was determined that these objectives are reached by three instruments:

First one is the **Euro Info Centers Network** which represents an interface between European institutions and local actors. Their service is not only to inform, advise and assist SMEs in all Europe-related areas but also to take into account the great variety of enterprises concerned. So that, directly or indirectly, Euro Info Centers can make matters simpler and more efficient for SMEs. Moreover Euro Info Centers also provide feedback to the Commission on SME concerns and interests.

Secondly, **the Financial Instruments** are schemes, managed by the European Investment Fund, that are specifically targeted at developing the financial environment for SME's.

On the one hand **Start-up Scheme of the European Technology Facility (ETF)** is used as an instrument which promotes growth and employment throughout the European Union by investing in funds providing risk capital to smaller businesses. On the other hand SME Guarantee Facility is used as a

⁷⁸ Decision of Parliament 1776/2005/EC

⁷⁹ Council Decision 2000/819/EC

financial instrument which is designed to increase the availability of and facilitate access to debt finance for SME's with job creation potential in Europe.

Thirdly, *Policy Development* is used as an instrument in order to pursue these aims. The Commission had analyses and studies on how to develop and improve the environment of enterprises and also SME's. In addition in this field, studies were made on the Best Procedure projects. These projects aimed at the Commission and national administrations actively cooperate and collaborate on gaining a better understanding of the various business issues and to identify best practices and to evaluate policy choices.

In the management of The Multiannual Program for Enterprise and Entrepreneurship, Enterprise Program Management Committee (EPMC) assisted The Commission. This Committee is composed of the representatives of the Member States. Additionally, EFTA and Candidate Countries participate in the activities of the program and also their representatives take part in the Committees meetings.⁸⁰

This Program was amended for 2001-2006 period. Differently this program has not direct support to enterprises.

4.3 “Thinking Small in an Enlarging Europe”

On 21 January 2003 the Commission adopted the SME a package which is a package of documents outlining policy towards small and medium-sized enterprises across Europe.

In this package it was aimed to analyze the implementation degree of the principles of European Charter for Small Enterprises.

⁸⁰http://ec.europa.eu/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm

European Commission took many important steps in order to support SME's. Moreover in this package a new instrument was defined, SME Envoy.⁸¹

In conclusion, it can be seen that between the mid of the 1990s and the beginning of the 2000s European Commission had taken many important steps in order to develop SME's. In this chapter, The European Charter for Small Enterprises, The Multi Annual Program for Enterprise and Entrepreneurship and Thinking Small in Enlarging Europe Package were discussed. These documents formed the main legal framework of the EU SME Policy. From this chapter it can be seen that unlike other policy areas, SME Policy has no any Directives. On the other hand, there are programs, specific recommendations, etc. As a result of this, the strategy of the EU on SME's was created according to the principles which were determined in these documents. In order to evaluate the role of the Business Support Networks in the SME Policy, the principles and aims which were explained in the European Charter for Small Enterprises and The Multi Annual Program for Enterprise will be used.

⁸¹ http://ec.europa.eu/enterprise/enterprise_policy/sme-package/index.htm

5. ACTIVITIES IN THE FIELD OF EU SME POLICY

In the part of Legal Framework of the EU SME Policy, legal framework of the EU SME Policy was discussed. In addition, it was seen that EU Commission had important steps on improving the SME Policy. However, Commission's success in these steps can not be evaluated before analyzing the efforts and performances in this field. In other words, Legal Framework part presented the theoretic part of the EU SME Policy but before reaching analyses about EU SME Policy, the efforts and activities should be examined. So in this chapter the developments and improvements in the field of EU SME Policy will be discussed.

Firstly the improvements in the field of action plan, which were determined in the European Charter for Small Enterprises, will be discussed. Because it was underlined that European Charter for the Small Enterprises is the main legislative body of the EU SME policy. After declaration of the European Charter for Small Enterprises, five reports were prepared on SME's. These reports covered the improvements, obstacles in this field. But in this study, improvements won't be discussed according to the chronological order of the activities. The activities will be discussed according to a thematic order.

5.1 Developments in the Field of Education for Entrepreneurship

Firstly in “**Education for Entrepreneurship**” filed, the work program “**Education and Training 2010**” was planned to supply contribution of education and training to Lisbon process.⁸²

In this program a working group has designed a European framework for eight key competences which acquired by the end of compulsory education and maintained through lifelong learning. Entrepreneurship is determined as one of these key competences for all in knowledge based society. This working group underlined that entrepreneurship is a wide competence which includes notably, creativity, initiative taking and team work as background skills to support entrepreneurial attitude. 2004 Joint Interim Report which was prepared for the implementation of the work program “Education and Training 2010”, recognizes this European Framework as one of the priorities to put in place as part of the comprehensive and concerted lifelong learning strategies in the EU.⁸³

In the frame work of the European Program Youth⁸⁴, entrepreneurship is recognized as an important skill and attitude and it should be improved among young people. In the 2001 White Paper on Youth, youth entrepreneurship was identified and an important step was taken towards employment of young people in 2004. The 2004 Commission Communication on common objectives for voluntary activities among young people to develop and recognize voluntary activities. It was aimed that young people get chance of status and employability with the recognition of the abilities gained through voluntary activities by the private sector. In addition Commission prepared a proposal, “**Youth in action 2007-2013**” that includes the objective of ‘encouraging initiative, creativity and enterprise.

⁸² http://www.europa.eu.int/comm/education/policies/2010/et_2010_en.html

⁸³ Council Document 6905/04, 3.3.2004,
http://www.europa.eu.int/comm/education/policies/2010/objectives_en.html#basics

⁸⁴ For more information about EU Youth Program,
http://www.europa.eu.int/comm/education/policies/2010/doc/jir_council/final.pdf

Another key action in this field has been launched aiming at “**fostering entrepreneurial mindsets through school education**”. This action organized with a set of initiatives to be carried out by the DG Enterprise and DG Education and Culture. In this structure, secondary school students were focused and it was wanted that to run a mini-company or a virtual firm. These activities were aimed at the promotion of entrepreneurial attitudes and skills among young people. This Project had different parts and programs and aiming for identify factors of success and finding out how public authorities are supporting their implementation and application. In addition this program aimed to have an impact in supporting policy and decision making at different levels affecting secondary schools. A final result of the Project was announced in March 2005 and it was observed that this project developed the entrepreneurial attitudes and skills among young people.⁸⁵

Finally, in 2003 **The Gate2Growth** has been prepared with the supports of the Commission. This program aimed to facilitate integration and good search in the field of entrepreneurship. There are 120 academics, researchers, scholars and experts involved in this domain. The network is active in researching, workshops and supports the fundamental research findings into policy recommendation.⁸⁶

5.2 Developments in the Field of Better Legislation and Regulation

The Commission has been implemented Better Regulation Action Plan in 2002. In addition Commission continues to up-date and simply the existing Community legislation, acquis. In the period 2003 and mid 2004, twenty one policy sectors were analyzed for simplification. The program was integrated in to the annual planning and programming cycle.⁸⁷

Secondly, **Inter-institutional Agreement on Better Regulation** was concluded in December 2003. This agreement aimed to co-ordinate or joint implementation by the European Parliament, The Council, The Commission

⁸⁵ http://europa.eu.int/comm/enterprise/enterpreneurship/action_plan/ap_01.htm

⁸⁶ <http://www.gate2growth.com/academicnetwork.asp>

⁸⁷ http://ec.europa.eu/enterprise/regulation/better_regulation/simplification.htm

and the other EU institutions. According to this aim, main elements were drawn as to improve inter-institutional coordination and transparency, common definitions, to increase use of impact assessment in Community decision making and to set a binding time limit for the transposition of directives into national law.⁸⁸

It can be seen that implementation of this agreement will be a long term process. In addition, in this framework, the Commission launched a new impact assessment procedure which aims to improve the quality of the regulatory environment and to enhance policy coherency. Negative and positive effects on SME's are underlined within this framework. This procedure creates a new approach to policy making and the Commission had chance to learn how it is working in practice. In this procedure, the Commission prepared a proposal for amend The Directive of Legal Protection of Designs, which can be seen as a good example of how Commission influenced by the impact assessment. This proposal was related with the car spare parts market and creating opportunities for SME's in this area.⁸⁹ The Commission had studies on simplifying its guidelines for impact assessment and new guidelines had an explicit reference to SME's.

The Interactive Policy Making Initiative (IPM) launched in 2001. It offers efficient possibilities to assess the impact on SME's within a specific policy field. IPM Feedback Mechanism and the IPM Online Consultation tools were available to Commission policy makers. IPM Feedback Mechanism is a useful tool to identify the problems of SME's in the Internal Market. The feedback database helps Commission to observe and evaluate EU legislation and to identify the problems in the application of the Internal Market rules. In 2004 this system was improved and by this the Commission services can use it more systematically in their policy making activities.⁹⁰

⁸⁸ http://ec.europa.eu/enterprise/regulation/better_regulation/impact_assessment/docs/sec_2005_791_guidelines_annexes.pdf

⁸⁹ Directive 98/71/EC, COM(2004) 582 of 14.09.2004

⁹⁰ www.europa.eu.int/yourvoice/ipm

Another new project “**Stigma of failure and early warning tools**” was launched in 2004. An information document was prepared on business failure, achieving balance of risks and rewards and early warning tools for entrepreneurs to assess their financial condition.⁹¹

5.3 Development in the Field of Availability of Skills

Several important achievements in this area were reached. In December 2004, 32 ministers of education and training adopted to the targets during the next years. In addition the new Europass which is a single instrument for the transparency of competences and qualifications was launched in January 2005. This new instrument will mobilize the human resources inside in the European Labor Market. It means that Europass notably between SME’s easier.

In May 2004 Education Council agreed on validation of non-formal and informal learning. The added value will be taken by this way with the validation of informal learning which means that learning activities take place outside of the formal system. In 2003-2004, Commission, Member States and social partners were agreed on how to improve the competences and qualifications at sectoral level. In October 2004 the first seminar on initiatives was organized. It was the first chance of the public and private actors to involve in a sectoral training jointly at European Level.⁹²

On the other hand Leonardo da Vinci Program aims to improve the vocational programs in European. SME’s involvement to this program is a priority. In 2003 Leonard da Vinci Program was supported and co-financed 31 projects which were prepared by SME’s. In January 2004 a study (Development Skills within Companies Especially SME’s) was published by the Commission and in this study the main problems and obstacles of the SME’s in the application process to the Leonardo da Vinci Program.⁹³

⁹¹ www.europa.eu.int/comm/enterprise/enterpneuership/action_plan/ap_02.htm

⁹² http://europa.eu.int/comm/education/programmes/europass/index_en.html

⁹³ http://www3socleoyouth.be/static/Bots/docbots/LEONARDO/T2/English-final_report_theme_2.pdf

Moreover in this period some sectoral initiatives were taken by the Commission. In 2004 the “Competitive Analysis of EU Mechanical Engineering” online consultation was launched. In this study the initiatives’ views on the factors of global competitiveness of European mechanical engineering companies were targeted. In addition the factors which affect the competitiveness in this sector were highlighted. In addition the availability of appropriate information and communication technology skills is an important part of competitiveness of small businesses. In order to improve this condition and e-business skills some studies were made. European e-Skills Forum were established. All these studies and improvements made under the title of eEurope2005.⁹⁴ In this period many issue papers, reports were prepared and many activities were organized in order to reach more initiatives on this issue.

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5.4 Developments in the Field of Cheaper and Faster Start-up

In the field of “**Cheaper and Faster Start-Up**”, a best procedure project, “Benchmarking the administration of business startups”, was organized and concluded in 2002. It was seen that many Member States were successful in reducing time and costs of setting up a business and online registration systems.⁹⁶

5.5 Developments in the Field of Improvement of Online Access

“**Improving Online Access**” is another field which was determined in European Charter for Small Enterprises. In the beginning of the 2005 IDA Program (Interchange of Data between Administrations) launched The Portal of The EU Administration under the name “**Your Europe**”. This portal provides information and service to assist SME’s to carry out cross-border

⁹⁴ eEuropa2005: An Information Society for All, COM(2002) 263 final, 28.05.2002

⁹⁵ http://www.europa.eu.int/information_society/eeurope/2005/index_en.htm

⁹⁶ http://ec.europa.eu/enterprise/events/charter/doc/2004_dublin/pres_djuranovic.pdf

activities.⁹⁷ By the beginning of the 2003, integration to the many existing web sites was achieved and new websites were formed.⁹⁸

In addition IDA still has some studies on how to improve the data exchange between civil registration authorities.

5.6 Developments in the Field of More Out of the Single Market

In “**More Out of the Single Market**” field, Commission had some significant acts. Firstly **the Internal Market Strategy 2003-2006**, which determine the needs for maximizing the contributions, was formed. In this strategy EU’s growth, competitiveness and quality of life with 25 Member States were drawn. It has some priorities about free movement of goods, services, capital and labor. Moreover some other significant issues such as environment, public procurement were planned. In addition, it was underlined that SME’s will be benefited from the Internal Market by the correct and timely transposition of Internal Market Directives to the national law. Also in this area Commission has started to reflect on a new regulation to improve the operation of the mutual recognition principle. By the principle it was aimed to consolidate the existing legal framework for goods needs within the bigger EU.⁹⁹

5.7 Developments in the Field of Inter-institutional Agreement on Better Regulation

Under the field of “**Inter-institutional Agreement on Better Regulation**”, it was mentioned that IPM Feedback Mechanism is a useful tool to identify difficulties of the SME’s. In 2004 IPM Feedback Mechanism were developed and began to use systematically.

It was seen that service sector is one of the important employment area and key element for competitiveness. However every member state has its own service sector rules and sometimes this fragmented system causes some problems. By

⁹⁷ <http://www.europa.eu.int/youreurope>

⁹⁸ Dialogue with Business, <http://www.europa.eu.int/business>
Dialogue with Citizens , <http://www.europa.eu.int/citizens>
e- Government Observatory , <http://www.europa.eu.int/idabc/en/chapter/140>
Open Source Observatory, <http://www.europa.eu.int/idabc/en/chapter/452>

⁹⁹ http://www.europa.eu.int/comm/internal_market/strategy/index_en.htm

this analyses on January 2004 Commission prepared a proposal for a Directive on Services in The Internal Market. This directive formed a general legal framework which makes simpler the cross border provision of services.¹⁰⁰

Moreover commission had some studies on unfair commerce and a Directive on Unfair Commercial Practices was formed. This Directive aimed to harmonize rules on unfair business to consumer practices in European Union.¹⁰¹

5.8 Developments in the Field of Taxation and Financial Matter

In the Field of “**Taxation and Financial Matter**”, Commission had planned several projects. These projects have positive effects on SME’s. The Commission analyzed the effects of the tax systems on retention earnings and the tax systems in the Member States. It was seen that some tax codes and taxation systems cause negative effects on investment decisions of the business owners. In addition the taxation systems could effect the growth of SME’s. According to the results of these analyses Commission has started to study on the potential areas for the simplification and reduction of tax compliance procedures. The final results were taken in the second quarter of the 2006.¹⁰²

When the cross border activities analyzed, different national taxation regulations and systems could cause some problems in the SME side. In order to simplify tax compliance and direct taxation for cross border activities, Commission formed a pilot scheme whereby SME’s can apply home state taxation. It is argued that this system could allow firms to apply familiar rules and regulations of their home state. Now the details of this pilot scheme is preparing by the Commission.¹⁰³

The European Investment Fund managed the financial instruments of the Multiannual Program for Enterprise and Entrepreneurship (2001-2005). In

¹⁰⁰ COM(2004) 2 final/3,5.03.2004,2004/001(COD)

¹⁰¹ COM (2003) 356, 18.06.2003, 2003/0134(COD)

¹⁰² http://europa.eu.int/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

¹⁰² http://www.europa.eu.int/comm/enterprise/entrepreneurship/action_plan/ap_07.htm

¹⁰³ http://www.europa.eu.int/comm/taxation_customs/taxation/company_tax/key_documents/index_en.htm

addition from 2003 new Member States and candidate countries had chance to benefited from these financial instruments.¹⁰⁴

In addition some studies and programs have been begun to apply after 2003 especially solve the financial problems of the SME's, such as SME Guarantee Facility, ETF Start-up Scheme, Joint European Venture. In all these studies, it was aimed to increase the benefits of SME's from the EU Funds and financial services and support SME financially.

5.9 Developments in the Field of Strengthening the Technological Capacity of SME's

In “**Strengthening the Technological Capacity of SME's**” field important steps were taken. The Sixth Framework Programme for Research, Technological Development and Demonstration Activities supports European SME's both in the participation of priority thematic areas of the specific program “Integrate and Strengthening the European Research Area and participation to the Horizontal Research Activities Involving SME's.

By these programs not only SME's participation in thematic areas with integrated projects and networks, but also improving the research and innovation capacity of SME's through the enhanced cooperation between national or regional bodies, were aimed. For 2002-2006, nearly €2,2 billion have been allocated to support SMEs' research and innovation efforts, certainly making the Sixth Framework Program one of the largest support instruments in the world for SMEs' research.¹⁰⁵

In addition SME National Contact Point Network, Innovation Relay Centers, SME's and Research Expert Group, Incubator Forum, Innovating Regions in Europe Network, Intellectual Property Rights Help Desk were formed.

5.10 Developments in the Field of E-business models and top-class small business support

¹⁰⁴http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2_01_2005.htm

¹⁰⁵http://www.europa.eu.int/comm/research/fp6/index_en.html

In the field of “**E-business models and top-class small business support**”, European Business Support Network, Euro Info Centre Network, b2europe and SMIE database were formed. All these projects aimed to increase the capacity e-business in Europe and improve the relations of SME’s.¹⁰⁶

5.11 Developments in the Field of Representation of the SME’s

In Develop Stronger, More Effective Representation of Small Enterprises’ Interests at Union and National Level field, the most important step was taken with the SME Envoy. It is argued that SME Envoy is the main interface with the SME Business Community.

The role of the SME Envoy is to listen to the problems of the SME’s and to consider their specific interests and needs in EU Programs and policies. SME Envoy will involve to the policy making procedures of research and regional policies with the objective of further integrating entrepreneurship and SME issues.

The European Commission has appointed an Envoy for SMEs to form a contact with SME’s and their representative bodies. The SME Envoy was formed for establish a key interface with the SME community, concentrated on their specific interests and needs in EU Programs and legislation.

SME Envoy interested on enterprise policy issues of current interest, such as developing the financial environment of SMEs, better regulation, improving high quality support services for SMEs.¹⁰⁷

5.12 Developments in the Other Policy Areas

As it can be seen that almost every policy has an SME dimension at Community level. SMEs’ demands, needs and concerns are incorporated into most Community policies and programs. The Commission has implemented many support programs that services directly or indirectly to the benefits to

¹⁰⁶ http://ec.europa.eu/enterprise/enterprise_policy/charter_directory/en/ebusiness/index.htm

¹⁰⁷ http://ec.europa.eu/enterprise/entrepreneurship/sme_envoy/pdf/sec_2005_170_en.pdf

SME's. In many EU policy areas SME's were supported by the different programs and projects. The studies and the activities in these different areas should be determined in order to understand the activities of the EU SME Policy completely.

In the field of EU Competition Policy there are works and programs for the SME's. In 2004 Commission adopted " A proactive Competition Policy for a Competitive Europe" which defines how competition policy appropriate to Lisbon objectives.¹⁰⁸ In addition in 2004 the new Antitrust Enforcement Regulation came into force. This regulation enforces the EU Treaty rules about cartels and abuses of dominant positions.¹⁰⁹

In addition, EU Structural Policy has many programs and aids for the SME's. After the declaration of the new SME definition, the Regulation on State Aid to SME's was amended. The aim of this amendment was to extend the scope of aids in the field of research and development.¹¹⁰ The Block exemption regulation for training aid was also amended in order to implement the new SME definition.¹¹¹

Finally in this policy are Commission prepared new guidelines which are organized and simplified for the SME's, for introducing the amendments and changes in competition policy.¹¹²

Commission give importance to entrepreneurship and SME' in the Structural Funds, which is the largest program in financial terms, is spending some €16 billion on SME-targeted projects in the period 2000-2006. In addition Commission closely monitors the SME's participation to the programs on innovation, technological development, and research. Moreover many other programs were designed and clearly fused on SME's or their benefits. **URBAN Initiative**, which aims at the revitalization of urban areas and districts in

¹⁰⁸ <http://europa.eu.int/comm/competition/index.html>

¹⁰⁹ COM 2004, 293 final, 20.04.2004)

¹¹⁰ Council Regulation No. 1/2003 of 16.12.2002 OJL1 4.1.2003, p.1

¹¹¹ Commission Regulation No 363/2004 of 25.02.2004 amending regulation No. 68/2001 on the application of the Articles 87 and 88 of the EC Treaty to training aid.

¹¹² <http://europa.eu.int/comm/competition/index.html>

difficulty, facilitated the creation and development of SME's in URBAN areas.¹¹³

In addition for the period of 2007-2013, Commission prepared a proposal for the regulations in this policy area. In this proposal it was aimed to strengthening of competitiveness through to the development of innovation and the knowledge economy. This new regulations will directly or indirectly benefit for the SME's. Moreover there will be increases in financial resources, the stimulation of innovation within SME's and the creation of new financial instruments in the further programs.¹¹⁴

In Employment and Social Policies field, mainly SME's are supported in management of human resources. In this field Commission has also continued its activities to promote responsible entrepreneurship in order to maximizing the positive contributions of business society. In addition between 2004 and the end of 2005, Commission organized a campaign and nearly 60 events were prepared.¹¹⁵

SME's are also supported by the EU Environmental Policy projects and programs. Compliance Assistance Program for SME's was announced in the sixth EU Environment Action Program which concerning on environmental management systems. In this policy area Commission, member states and SME organizations worked together.¹¹⁶

In conclusion, it can be seen that after legal efforts many important steps had been taken in the defined principles areas and different policy areas. In Commission Staff Working Paper a evaluation was made about these efforts as; **“It may be too early to draw conclusions on the effectiveness of the recent measures taken by the Commission, but one can expect that these**

¹¹³ http://ec.europa.eu/comm/regional_policy/urban2/index_en.htm

¹¹⁴ http://ec.europa.eu/comm/regional_policy/urban2/urbanconf_en.htm

¹¹⁵ http://ec.europa.eu/comm/employment_social/index_en.html

¹¹⁶ http://ec.europa.eu/environment/index_en.htm

measures will have positive effect on the integration of the SME dimension in EU policies.”¹¹⁷

Moreover it was argued that there should be some improvements in the field of the SME participation in EU programs. In addition there should be improvements for making processes easier. In some of the EU programs application processes are not adapted to SME's yet and there is an amendment need in this area. Moreover, criteria of participating to the EU Procurements are very difficult to match for SME's. So, additional efforts should be taken in these areas.

Finally, these activities and programs show that there are many important steps taken by the Commission in the field of SME's. However there are various programs in different policy areas such as EU Competition Policy EU Structural Policy, Employment and Social Policies and EU Environmental Policy. As a result it is difficult to manage the information circulation between SME's and programs. Moreover, it is difficult for SME's to reach information on all these programs at the same time.

6. EU BUSINESS SUPPORT NETWORKS

In this Chapter EU Business Support Networks will be discussed. In addition the roles, services and the structures of the EU Business Support Networks will be explained. In this chapter, three business support network : Euro Info Centers Network, Innovation Relay Centers and Business and Innovation Centers, which are the most efficient members of “b2europa Project”, will be explicated and evaluated according to their value added to the EU SME Policy.

Firstly, the meaning of the EU Business Support Networks should be given. The European business support Networks which were formed by the European Commission, are recognized for their ‘in-depth knowledge’ of the needs and problems of European SME's.

¹¹⁷ (Commission Staff Working Paper, The Activities of The European Union for Small and Medium Sized Enterprises (SME's), SME's Envoy Report, Brussels, Commission of the European Communities, 08.02.2005)

Business and Innovation Centers Network was built in 1984. Then Euro Info Centers Network was formed in 1987 and finally in 1997 Innovation Relay Centers Network was established. In the next pages there will be more information about these Networks however it should be underlined that these 3 networks are the biggest Networks of the EU. Every network has different services on specific areas. In addition these networks promote the EU SME Policy among all members and centers.

In order to increase their co-operation, sharing of experiences, information and good practice examples Commission aimed to create an alliance between these Networks. In 2001 Commission explained that there is a communication need for EU support networks for becoming more visible to their target audiences. Then in the beginning of the 2003, former Commissioner Liikanen published a Communication outlining the current b2europe initiative. It was added that the main objective of b2europe is “the provision of better services for SMEs, in particular through more coordinate management and structures of the network.”

Today the concept of the b2europe is defined as “an integral part of the European Commission’s policy to assist SME’s on the issues of creation, innovation and development.” In addition it was underlined that the main principle of the b2europe is ‘putting the interests of the client first.’¹¹⁸

6.1 Euro Info Centers Network

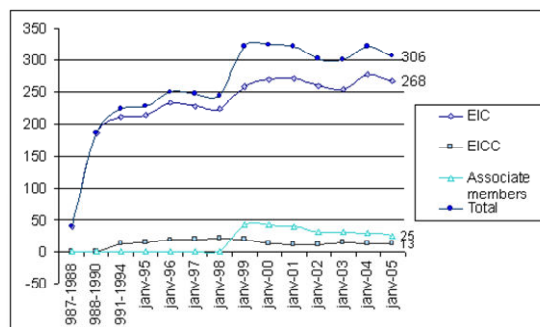
The Euro Info Centers Network is the largest Community Business Support Network. The "Centers for European Business Information" pilot project was one of the major projects in the SME action program and the Council adopted this Project on 3 November 1986. This program included various specific initiatives such as the Centres for European Business Information (Euroguichets) pilot Project. This Project focused on distributing information about the European Community.¹¹⁹

¹¹⁸ <http://ec.europa.eu/enterprise/networks/b2europe/b2europe.html>

¹¹⁹ <http://ec.europa.eu/enterprise/networks/eic/eic.html>

In 1987, 39 Euro Info Centers were established throughout the Community. In **1990** Euro Info Correspondence Centers were created. Today, Euro Info Center Network consists of 265 "traditional" EICs, 26 Associate Members and 14 EICCs. EIC network is present in 46 countries and about 280 towns. 269 Euro Info Centers cover the EU, the candidate countries, the EEA and the EU's most remote regions. The expanding of the Euro Info Centres can be seen in Table-3 year by year.

Table 3 Expanding of Euro Info Centres ¹²⁰



More than 300 centers and 340 relays have contact with each other on a wide range of issues and are sharing best practices amongst themselves. Their contacts are facilitated by common centrally supported electronic network system.

EICs are established by partnership between the European Commission and the local, regional or national organizations that host them. These local organizations could be, Chamber of Commerce, Regional government, banks which provide significant financial and logistical support, as well as access to their databases and information sources.

It can be seen that this network has a huge structure and reach local support which can help them to have direct dialogue with SME's. Moreover Euro Info Correspondence Centers (EICCs), which play a key role in the relationship between SMEs, part of EIC Network. These centers are established in third

¹²⁰ http://ec.europa.eu/enterprise/networks/eic/eic-aboutus-history_en.html

countries for create business opportunities for EU SME's and SME's in the third countries.

Their status is different from an EIC's and they distribute Community information and reply to general, legal, administrative and statistical questions about the EU to businesses in third countries. Most importantly they assist the SMEs about Europeanization. In addition they assists EU SME's which aim to extend their activities into the newly opened markets of Central and Eastern Europe and the Mediterranean zone.

6.1.1 Services of the Euro Info Centers

Services of the EIC Network can be discussed under the titles of “informing”, “assisting in business cooperation” and “provide feedback to Commission”.

6.1.1.1 To Inform and Assist Companies

First main service of the EIC Network is to inform enterprises about EU policies, services and matters. According to the research of the EIC Network, every year, EICs directly answer nearly 360.000 information queries from SMEs.

Moreover EICs have informing and assisting service in the area of European legislation. EIC Network had Info Watch Service by which the SME's complete an online form for getting information on different areas. For the informing and assisting services of the EIC's, a supported team of experts was formed. In addition they have a direct access to the European Commission.

Secondly EIC's have informing services on public procurements. They inform and assist to SME's in different steps of procedure. In this field EIC have EICs have tender alert services.

Thirdly EICs have services on financial issues by determining EU programs or financing solutions. In the field of this services EICs assist SME's in the application procedures, guide the company towards useful contacts.

Fourthly, Centers provide information also about enlargement. Firstly, EICs were established in the new Member States in 1991. EICs helped SME's form future business co operations, international exchanges and met them to new available business opportunities and Euro. Then Centers helped SME's to understand the effect of enlargement on their activities.

Fifthly, EIC's have information services on market Access. It means that EICs provide information and products for the internalization of the SME's.

Lastly Euro Info Centre Networks had information services in the field of research and development, information and communication Technologies, occupational security and health, and environmental issues. On the one hand, SME's can reach information on Commission research and development programs and calls for proposals. On the other hand, The Commission aimed to improve the position of Europe in the area of new information and communication technologies. So the Commission formed e-Europe strategy. The EIC Network is a part of this strategy and concentrated on cross border e-commerce. Also EIC's help SME's for forming a safer and healthier working environment. In the field of environmental issues, EIC's provide information on environmental issues.

As a result it can be seen that EICs not only has a typical information service on EU SME Policy but also inform SME's in the field of different EU Policy areas. In addition these policy areas, such as environmental policy has special programs for SME's. It means that EIC's form a link between SME's and policy programs which are formed especially for the SME's.

6.1.1.2 Help and Assist Companies in Business Cooperation

EIC Network assists companies to take advantage of business opportunities and can expose them to markets and possible partners in different countries.

“Within the EIC Network, international Business Co-operation means a process of logical steps divided in 3 main phases: preparation, partner search and realization”.

EIC's have services for SME's in the field of evaluating their readiness to co-operate at international level, defining the type of co-operation needed and searching for potential partners. This service is given with the assistance of Network experts. In addition Euro Info Centres Network uses Business Cooperation Database in which SME's have company profiles and find partners according to these profiles and cooperation demands. In 2004 this system was launched for became a reference for business cooperation between enterprises in Europe. Today a profile of a company in Business Cooperation Database made available to more than 600 centers, all over Europe. By December 2004, more than 3000 profiles had been encoded in this database.

In addition EICs also coach SMEs in the path of internationalization. Preparatory Training Programs for matchmaking events and Professional follow up are organized by EIC's.

In the field of matchmaking, “Pan European Business Cooperation Schemes Project” is formed. This Project is supported by the European Union. Five EIC's are led the Project which aimed to organize matchmaking events and organizations in all over the Europe. The major importance of this Project is create interlink between enterprises which can or can not attend to the international fairs.

6.1.1.3 Provide Feedback to the European Commission on Companies' Concerns

The most important service of the EIC's is to provide feedbacks for the European Commission on the demands and the concerns of the SME's.

SMEs can directly influence European Community legislation and programs through their local EIC. The network secretly feeds back entrepreneurs needs to the Commission by collecting information through a variety of means such as: direct discussion, regional surveys or participation in consultation panels.

EICs have an integral part of the Commission's Interactive Policy Making (IPM) initiative. The aim of the IPM is to improve governance by collecting and analyzing reactions in the marketplace for use in the EU's policy-making process.

EIC's transmit the problems and the demands of the SME's to the IPM. This system aims to give information to the Commission. By this way Commission becomes able to answer more quickly about the demands of the SME's. Moreover it makes EU policy more transparent, comprehensive and effective and should result in better legislation.¹²¹

“The information based on **hard facts** can be used by the services of the Commission in different contexts of the legislative process.”¹²²

These hard facts used in the **early warning** system which providing information on how policies are sensed by companies, developing existing provisions or a **monitoring tool** on the implementation of new legislation.

In 2004, nearly 5554 cases notified to the Commission by the EIC's. The cases were mostly about free movement of goods, free provision services and business environment.

According to the Commission Staff Working Paper(1995, p:11)¹²³ “[...] in particular through Commission support networks such as Euro Info Centers Network and the Innovation Relay Centers network, as these networks play an essential role in promoting Community Programs and making the link between them[...]”

It can be seen that EIC Network has many important services for SME's. In addition EIC's give information to the SME's not only in the field of EU SME Policy but also in the field of the other policy areas. It means that EIC's create a bridge between the EU programs and activities which are created for the SME's and the local entrepreneurs. In this sense SME's can directly reach

¹²¹ http://europa.eu.int/comm/enterprise/networks/eic/eic-aboutus_mission_en.html

¹²² http://ec.europa.eu/enterprise/networks/eic/eic-b2europe_en.html

¹²³ Commission Staff Working Paper(1995, p:11)

information about EU Competition Policy EU Structural Policy, Employment and Social Policies and EU Environmental Policy.

EIC's encourage entrepreneurship not only within the Union but also in candidate countries. By this network entrepreneurs get the chance to learn the last developments in their sector. In addition they became able to get information on the best practices in the other countries. By this way innovation and new investment spirit begins to spread over the SME's in the regions where EIC were formed. In addition SME's had chance to access to new markets and internalization. Thus these changes strengthen entrepreneurs to regulate their production and trade habits. These changes in the profiles of the SME's prepare themselves to the competitive market and new business co operations. Another important effect of the EIC's on the SME's is to inform the entrepreneurs about the financial programs and credits of the EU.¹²⁴ Moreover by the seminars, workshops and the other activities of the EIC's, entrepreneurs were trained continuously.

More importantly, by the feedback mechanism in the EIC Network every problem of the SME's are noticed to the Commission. On the one side SME's feel like a part of the EU decision making process and on the other side, European Commission becomes able to answer quickly about the demands of the SME's.

When these services and the effects of the EIC's compared with the principles which were drawn in the European Charter for Small Enterprises, it can be easily seen that EIC's fully meet with these principles, successfully.

From the perspective of political networking approach, Interactive Policy Making structure is an important mechanism which improves governance and analyzing reactions of the SME's towards EU legislation. In addition, by this system, even individual or regional SME's problems are received by the

¹²⁴ Calıskanturk, Gulbin (Coordinator of the Gazşantep EIC). Personal Interview by Burcu Nakibođlu Celik. Gaziantep, 28 April 2006

Commission. It makes EU policy more transparent, comprehensive and effective and should result in better legislation.

6.2 Innovation Relay Centers

The second European Business Support Network is the Innovation Relay Centers. The first Innovation Relay Centers were formed with the support of the European Commission in 1995. The aim of the IRC was to create a pan-European platform to develop transnational technology transfer and innovation services. Up to 1995 IRC's working with more than 12.500 technologies transfers' co operations. In this period they served more than 55.000 SME's about reaching their technology needs and exploiting their research results. IRC composed of nearly 1,000 specialists with backgrounds in business, industry and research. Today, IRC Network has 71 regional centres in 33 countries.¹²⁵

According to the Commission Staff Working Paper, "Innovation Relay Centers form the largest network in Europe with 71 regional in 33 countries."¹²⁶ The aim of the IRC Network is to give support to companies about innovation and transnational technological co-operation in Europe with a various specialized business support services. Although the target group of the IRC services is mainly technology-oriented SME's, IRC's support large companies, research institutes, universities, technology centers and innovation agencies. Most IRCs are formed in the host organizations such as Chambers of Commerce, Regional Development Agencies and university Technology Centres.

6.2.1. Services of the Innovation Relay Centers

6.2.1.1 European Partnership

One of the services of the IRC is finding potential partners. Under this service at the first IRC's identify the potential partners for SME's in all over the

¹²⁵ <http://irc.cordis.lu/ircnetwork/network.cfm>

¹²⁶ Commission Staff Working Paper 2005, p:28

Europe. These identifications are made according to the demands of the SME's in the field of technological innovations and technological needs of the SME's. The second step is to bring together potential partners. IRC's helps to companies not only identify the specific instances of technological needs such as partners for technical assistance, for license agreements, joint ventures and further joint development. These SME's use this network in order to contact with technology centers, and pan-European partnership events.

Innovation Relay Centers prepared specific approaches for each local company. IRC experts visit companies in order to produce the profiles of the companies which collected in a database. These profiles are used in finding technology partners. By this system not only the most appropriate partners aimed to find but also SME's technologies promote at exhibitions, trade fairs, partnering events and through the day to day interaction it has with other IRC's.

After finding partners IRC's supporting services for the SME's are continued about financial issues and intellectual property rights. IRC's support SME's in the selection and identification of projects, which are suitable for innovative financing.¹²⁷

6.2.1.2 Identifying Technology Need and/or Technology Potential

IRC Network has services in the field of identifying technology need and technology potential. The Innovation Relay Centre Network is working in the area of the promotion of new and innovative technologies throughout Europe. IRC's form technology profiles for SME's, locate potential partners throughout Europe for licensing and manufacturing agreements.

It can be seen that Innovation Relay Centers are not only offers services in the area of innovation and transnational technological co-operation but also have services in the areas of access to markets, create business cooperation and small business support. Like Euro Info Centers, this network strengthens the

¹²⁷ <http://irc.cordis.lu/ircnetwork/network.cfm>

spirit of innovation and entrepreneurship directly. Moreover, IRC's listen the voice of the small businesses which was underlined in the "European Charter for Small Enterprises". Finally, IRC Network is one of the largest networks in Europe which basically aimed to strengthening the technological capacity of the SMEs.

6.3 EBN – European BIC Network

The European BIC Network (EBN) is a non -profit association formed in Brussels. EBN presents services aiming at coordinating the activities of the BICs, developing and promoting the BIC concept in all Europe. This network was formed in 1984 by European Commission and European Industry leaders. Today there are 160 BIC's in 21 countries in addition there are 70 associated members. EBN is a Brussels-based team that coordinates the activities of the members and providing services to them. BICs are the local parts of this network.

"EBN is the leading European network gathering 160 Business and Innovation Centers (B.I.C.s) and similar organizations such as incubators, innovation centers and entrepreneurship centers."

The aim of the EBN is to form new small or medium sized enterprises and new activities with SME's in order to improve new ideas and projects. BN mobilizes systems, services and activities which might help to SME's directly or indirectly in the field of achieving their objectives.

6.3.1 Services of the EBN and BICs

6.3.1.1. Services of the EBN

In order to achieve this aim, which was mentioned above, EBN collected its services under the three service area. First area is the services to members. In this service area basically it was aimed to support BIC's in strategically lobbying, BIC's promotion and technical assistance. In addition EBN has activities in order to develop the relations between BIC's by organizing seminars, conferences and exchange of best practices.

EBN developed B2B web portal in order to develop the dialogue between BIC's and SME's in order to create business co operations and internationalize SME's. By this portal SME's can search for new markets, new partners and new investment opportunities.

It was mentioned, "EBN not only ensures the representation of the BIC's to the EU institutions but also promote the BIC approach to national and regional public authorities on behalf of the members and EU institutions."

Secondly EBN has technical services for the BICs like pre-feasibility, monitoring and pre-membership evaluation.

Thirdly from 1984 EBN prepared many important pilot projects in order to development of the network and its members such as, **ATLANTECH Network** which aims to support and promote international **CORE Business** which promote Renewable Energy (RE) technologies, **Cross Border Connect (CBC)** which aimed to increase the business cooperation between SMEs and to optimize the cooperation in the Border Regions, **DETECT-IT** which is a network of incubators to detect and favor SME participation in FP6, **ESINET** which formed in order to create links between national and regional space incubators in the EU and in the candidate countries, **GATE2GROWTH** which is the unique portal aimed at supporting innovative entrepreneurs in Europe, **I-CUBED** which developed a multimedia training resource for the personnel of business incubators and BICs, **SME Statute Survey**, **SUN & UP Network** which was created for start up service providers.

6.3.1.2 BIC Services

As it was mentioned before BIC's are the local or regional parts of this network. In addition BIC's are the regional innovation tool for economic development. Main services of the BIC's are promotion of entrepreneurship, detection of innovative projects, strategic guidance, sign-posting towards business support organizations.

7. CONCLUSION

The premise behind this research has been that “EU Business Support Networks are main drivers of the EU SME Policy”. To assess the validity of this argument the effectiveness of the EU Business Support Networks has been scrutinized at EU SME Policy and local services.

The thesis began with explaining main theoretical approaches to EU’s policy making system. It is difficult to understand the sophisticated decision making procedure mechanisms prevalent within the EU. The theorizing, in the second part, has shown that in this sophisticated decision making system, there can not be a single theoretical explanation for EU’s decisions. The EU recently developed into multilevel governance in which the governments are not the only decision makers and; national sub national and transnational actors shape policy outcomes at medium level. Policy network approach has been depicted a useful conceptual tool, to illustrate the nature of EU and SME’s in this research. Within the multi-levels system of the EU and many linkages within these policy networks, SME’s presented by the Business Support Networks in decision taking and policy making processes.

In the third part of this study the international economic environment was discussed. It was seen that the dominance of the large firms in 1960’s and 1970’s changed and large firms have become downsizing. In addition there were structural changes in the market. All these changes created opportunity for new entrepreneurial initiative. For that reason EU formed a policy for the SME’s. Accordingly a question was answered is there really a need for the SME Policy or not? It was underlined that SME’s played a central role in the European Economy. In EU, 99,8 % of the firms are small and medium sized enterprises and supplies 2/3 of the general employment. Today in the larged European Union of 25 countries, some of 23 million SME’s provide around 7 million jobs. It means that SME’s have a big importance both from production and employment perspective for EU Member States. This big employment and economic potential should be support not only by the national governments but

also by European Union. Therefore EU SME Policy was created according to the three main targets:

‘to improve competitiveness’, ‘to improve business environment’ and ‘to support industrial changes.’

The creation of this policy shows the Commission’s careful attention to the Small and Medium-sized Enterprises. In order to understand the structure of the EU SME Policy, the legal framework was discussed in the fourth part of the study. EU SME Policy’s Legal Framework is based on the Article 130 of the Maastricht Treaty in 1992. In this article it was clearly defined that Community, member states should provide the necessary needs of the Community industry for getting competition power. By this article the responsibility of improving competitive power had been given to the European Community and Member States.

Between 1980s and 2000 many step had been taken in the field of SME Policy. Firstly, in 1983 EU SME Policy was formed with the acceptance of “First SME Action Plan”. In order to achieve the goals of the White Book which was prepared in 1993, in 1994 Commission accepted a Working Program for SME’s. SME’s was reached more importance in EU level with the Lisbon (2000) and Feira (2000) Summits. In these Council Summits SME’s were declared as ‘the engine of the European Economy’. The European Charter for Small Enterprises, adapted at the Feira Summit, formed the root of the EU SME Policy.

This Charter became an important document in encouraging SME’s interests. It gives some examples which emphasize on participation of NGO’s and Member States in ten areas. In this Charter it was underlined again that SME’s are “the backbone of European economy”.

In 2000, Council decided on **The Multiannual Programme for Enterprise and Entrepreneurship**. This program was amended in 2005 by the Decision of the European Parliament and Council. This program is a framework plan of activities in the areas of enhancing competitiveness of business; promoting

entrepreneurship; simplifying and improving the administrative and regulatory framework; improving the financial environment; easier access to Community support services, programmes and networks and improving the coordination of these facilities.

On 21 January 2003 the Commission adopted the SME a package which is a package of documents outlining policy towards small and medium-sized enterprises across Europe. In this package it was aimed to analyze the implementation degree of the principles of European Charter for Small Enterprises. European Commission took many important steps in order to support SME's. Moreover in this package a new instrument was defined, SME Envoy.

In the fifth part in can be seen that in the fields of Education for Entrepreneurship, Better Legislation and Regulation, Availability of Skills, Cheaper and Faster Start-Up, Improving Online Access, More Out of the Single Market, Inter-institutional Agreement on Better Regulation, Taxation and Financial Matter, Strengthening the Technological Capacity of SME's, E-business models and top-class small business support, Develop Stronger, More Effective Representation of Small Enterprises many important steps were taken by the Commission. Moreover Commission prepared many programs in the field of different policy areas such as EU Competition Policy EU Structural Policy, Employment and Social Policies and EU Environmental Policy.

However, these developments, new programs, new projects create a question; how Commission can be sure on the application and promotion of all these programs in regional and local level.

The finally EU Business Support Networks were discussed. For this part three most efficient business support network was chosen as a case study : EIC; IRC and EBN-BIC's.

When the EU Business Support Networks determined the following results can be seen. Firstly Euro Info Centres network consists of 265 "traditional" EICs, 2 Associate Members and 14 EICCs. EIC network is present in 46 countries and about 280 towns. 269 Euro Info Centers covers EU and the candidate countries. the EEA and the [EU's most remote regions](#). More than 300 centers and 340 relays have contact with each other on a wide range of issues and are sharing best practices amongst themselves. Secondly, IRC composed of nearly 1,000 specialists with backgrounds in business, industry and research. Today, IRC Network has 71 regional centers in 33 countries. Finally today there are 160 BIC's in 21 countries in addition there are 70 associated members. It means that from this huge networking system, EU Business Support Networks can able to contact with the regional and local SME's face to face day by day. Any instrument or measure of a policy can not able to reach this kind of huge relation with its targeted group without this kind of system.

Moreover, every year, EICs directly answer nearly 360.000 information queries from SMEs, today than 3000 profiles had been encoded in EIC Business Support Network Database and in 2004, nearly 5554 cases notified to the Commission by the EIC's. Secondly from 1995 IRC's working with more than 12.500 technologies transfers' co operations. In this period they served more than 55.000 SME's about reaching their technology needs and exploiting their research results. Finally EBN had prepared more than a dozen Community Projects for the SME's.

After the revision The Multiannual Programme for Enterprise and Entrepreneurship by the Council Decision three instruments were determined as EIC Network, the financial instruments and [Start-up Scheme of the European Technology Facility \(ETF\)](#). It was determined that **Euro Info Centers Network** which represents an interface between European institutions and local actors. Their service is not only to inform, advise and assist SMEs in all Europe-related areas but also to take into account the great variety of enterprises concerned. So that, directly or indirectly, Euro Info Centers can make matters simpler and more efficient for SMEs. Moreover Euro Info

Centers also provide feedback to the Commission on SME concerns and interests.¹²⁸ From this determination it can be understood that Council seen Euro Info Centre Network as an important actor for the success of the EU SME Policy.

If these Business Support Networks evaluated according to the Line of action which was given above; it will be show the effectiveness of the EU Business Support Networks. Firstly in the field of ‘Education and Training for Entrepreneurship’ and ‘Availability of Skills’ fields EU has studies on guarantee training institutions, complemented by in-house training programs, deliver supply of skills adapted to the needs of SME’s and provide life-time training.¹²⁹

EIC, IRC and EBN have important efforts in developing suitable training programs for managers in small enterprises.¹³⁰ Training programs, seminars and workshops are organized especially by the EIC’s in order to develop and train the SME’s.

In the field of ‘Cheaper and Faster Start-up’¹³¹, Business Support Networks presents non-profited professional services for the SME’s. In addition, EIC Network provides information to SME’s about national bureaucratic procedures.

In the field of ‘Better Legislation and Regulation’ it was underlined that the experiences in benchmarking showed that there should be improvement of current practices in the EU. In addition new regulations should be made to assess their impact on SME’S and entrepreneurs, both at national and

¹²⁸ <http://www.eic.org>

http://ec.europa.eu/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm

¹²⁹ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_04.htm

¹³⁰ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_01.htm

¹³¹ http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_02.htm

Community level. Lastly at EU level Commission could simply competition legislation to remove the burden of compliance for SME's.¹³²

On this issue, it was determined before EICs have an integral part of the Commission's Interactive Policy Making (IPM) initiative. The aim of the IPM is to improve governance by collecting and analyzing reactions in the marketplace for use in the EU's policy-making process. EIC's transmit the problems and the demands of the SME's to the IPM. This system aims to give information to the Commission. By this way Commission becomes able to answer more quickly about the demands of the SME's.

Moreover it makes EU policy more transparent, comprehensive and effective and should result in better legislation. In 2004, nearly 5554 cases notified to the Commission by the EIC's. The cases were mostly about free movement of goods, free provision services and business environment.¹³³ "The information based on hard facts can be used by the services of the Commission in different contexts of the legislative process."¹³⁴

These hard facts used in the early warning system which providing information on how policies are sensed by companies, developing existing provisions or a monitoring tool on the implementation of new legislation.

Most important areas are 'Improving Online Access', 'Strengthening The Technological Capacity of the SME's', EIC; IRC and EBN have very important studies. In 'Strengthening The Technological Capacity of the SME's' principles it was aimed to increase the capacity of SME's promoting technology dissemination towards SME's as well as to identify, select and adapt technologies, should be strengthen.

In addition it was defined that EU will support the establishment of co-operations between SME's, at local , national and international level and

¹³² http://ec.europa.eu/enterprise/entrepreneurship/action_plan/ap_03.htm

¹³³ (http://europa.eu.int/comm/enterprise/networks/eic/eic-aboutus_mission_en.html)

¹³⁴ *ibid.*

creation of networks in order to improve SME's capabilities to enter pan-European markets and to extend their activities in third markets.¹³⁵ Under the title of 'Improving Online Access', it was emphasized that public authorities and governments should be urged to increase their electronic communication with small business sectors.¹³⁶ EIC uses Business Cooperation Database in order to promote SME's in the international market.

On the other side Innovation Relay Centers prepared specific approaches for each local company. IRC experts visit companies in order to produce the profiles of the companies which are collected in a database. These profiles are used in finding technology partners. Moreover EBN developed B2B web portal in order to develop the dialogue between BIC's and SME's in order to create business co operations and internationalize SME's. By this portal SME's can search for new markets, new partners and new investment opportunities.

In addition many pilot projects in order to development of the network and its members were prepared by the EBN. ATLANTECH Network which aims to support and promote international CORE Business which promote Renewable Energy (RE) technologies, Cross Border Connect (CBC) which aimed to increase the business cooperation between SME's and to optimize the cooperation in the Border Regions, DETECT-IT which is a network of incubators to detect and favor SME participation in FP6, ESINET which formed in order to create links between national and regional space incubators in the EU and in the candidate countries, GATE2GROWTH which is the unique portal aimed at supporting innovative entrepreneurs in Europe, I-CUBED which developed a multimedia training resource for the personnel of business incubators and BICs, SME Statute Survey, SUN & UP Network which was created for start up service providers are the most important ones. From all these projects and the activities of the EU Business Support Networks it can be seen that many important steps are taken in this field.

¹³⁵ *ibid*, p:19

¹³⁶ http://europa.eu.int/comm/enterprise/enterprise_policy/charter/docs/charter_en.pdf

In the 'Getting More Out of the Single Market' field it was aimed to develop electronic commerce, telecommunications, utilities, public procurement and cross-border payment systems. The basic aim of the all activities of the EU Business Support Networks is to increase the usage of electronic commerce. In this field EIC Network formed Business Cooperation Network and IRC Network established a database for the technological business co operations, lastly EBN developed B2B web portal in order develop the dialogue between BIC's and SME's in order to create business co operations and internationalize SME's. By this portal SME's can search for new markets, new partners and new investment opportunities.

In the field of 'Taxation and the Financial Matters', it was mentioned that SME's need finance to translate their entrepreneur spirit into reality. In order to improve the access of SME's to financial services 3 steps were determined by Charter: "identify and remove barriers, improve the relationship between banking system and SME's and improve the access to the structure funds and welcome initiatives by the European Investment Bank." In this area EIC has specific information services about EU funded Projects, public procurements and European Investment Bank's financial sources.

In 'Making use of Successful e-business models and developing top class business support' area it was mentioned that the Commission and MS should support the best practices and adopt successful business models that appropriate to new economy.¹³⁷ Moreover in European Charter it was underlined: "Actions at national and regional levels aimed at developing inter-firm clusters and networks should therefore be supported, pan- European co-operation between small enterprises using information technologies enhanced, best practices in co-operative agreements spread, and small enterprises co-operation supported to improve their capabilities to enter pan- European markets and to extend their activities in third country markets."¹³⁸ In this area all EU Business Support Networks have special services for the sharing the best practices in their networks. In addition it was mentioned before these three

¹³⁷ *ibid*, p:20

¹³⁸ http://europa.eu.int/comm/enterprise/enterprise_policy/charter/docs/charter_en.pdf

networks support the small enterprises co operations within and outside of the EU. As a result EIC Network has centers in Canada, Argentina, etc. and a profile of a SME in Business Cooperation Database made available to more than 600 centers, all over Europe. By December 2004, more than 3000 profiles had been encoded in this database.

Lastly in the filed of ‘Developing stronger, more effective representation of small enterprises’ interests at Union and National Level’ it was aimed to develop representation of SME’s interests at Union and national level, it was mentioned that the open method of coordination of national enterprise policies will be used. It was added that SME’s will be monitored and evaluated by the Commission Reports. In this area firstly EIC Network’s feedback service should be remembered. SMEs can directly influence European Community legislation and programs through their local EIC. The network secretly feeds back entrepreneurs needs to the Commission by collecting information through a variety of means such as: direct discussion, regional surveys or participation in consultation panels. EICs have an integral part of the Commission’s Interactive Policy Making (IPM) initiative. The aim of the IPM is to improve governance by collecting and analyzing reactions in the marketplace for use in the EU’s policy-making process. **The Interactive Policy Making Initiative (IPM)** launched in 2001. It offers efficient possibilities to assess the impact on SME’s within a specific policy field. IPM Feedback Mechanism and the IPM Online Consultation tools were available to Commission policy makers. IPM Feedback Mechanism is a useful tool to identify the problems of SME’s in the Internal Market. The feedback database helps Commission to observe and evaluate EU legislation and to identify the problems in the application of the Internal Market rules. In 2004 this system was improved and by this the Commission services can use it more systematically in their policy making activities.¹³⁹

In addition when the developments in the lines of the action analyzed carefully it can be seen that most of them are organized or created by EU Business

¹³⁹ www.europa.eu.int/yourvoice/ipm

Networks or EU Business Support Networks are a part of these developments and projects. In 2003 **The Gate2Growth** has been prepared with the supports of the Commission. This program aimed to facilitate integration and good search in the field of entrepreneurship. This is a project of the EBN.

On the one hand, in the field of “**E-business models and top-class small business support**”, European Business Support Network, Euro Info Centre Network, b2europe and SMIE database were shown as the examples of the e-business models and top class small business support networks.

Finally, many activities and programs were created in different policy areas such as EU Competition Policy EU Structural Policy, Employment and Social Policies and EU Environmental Policy. Euro Info Centres has informing services about these policy areas and programs and projects. Euro Info Centre Networks had information services in the field of research and development, information and communication Technologies, occupational security and health, and environmental issues. On the one hand, SME's can reach information on Commission research and development programs and calls for proposals. On the other hand, The Commission aimed to improve the position of Europe in the area of new information and communication technologies. So the Commission formed e-Europe strategy. The EIC Network is a part of this strategy and concentrated on cross border e-commerce. Also EIC's help SME's for forming a safer and healthier working environment. In the field of environmental issues, EIC's provide information on environmental issues.

SME Envoy can be seen as an alternative structure. SME Envoy was determined firstly in “Thinking Small in an Enlarging Europe” on 21 January 2003. It is argued that SME Envoy is the main interface with the SME Business Community. The role of the SME Envoy is ‘to listen the problems of the SME's and to consider their specific interests and needs in EU Programs and policies’.

SME Envoy will involve to the policy making procedures of research and regional policies with the objective of further integrating entrepreneurship and

SME issues. The European Commission has appointed an Envoy for SMEs to form a contact with SME's and their representative bodies. The SME Envoy was formed for establish a key interface with the SME community, concentrated on their specific interests and needs in EU Programs and legislation. SME Envoy interested on enterprise policy issues of current interest, such as developing the financial environment of SMEs, better regulation, improving high quality support services for SMEs.¹⁴⁰

However without the supports of the Business Support Network it is impossible that SME Envoy can work as EU Business Support Network and promote EU SME Policy. As a result SME Envoy can not build an interface as stronger as EU Business Support Networks. In conclusion it can be seen that EU Business Support Networks are the main driver of the EU SME Policy. By the centers in the regional and local level, activities and services which are support directly the lines of the action and face to face relations with the SME's EU Business Support Networks are the most efficient instrument in the application of the EU SME Policy

¹⁴⁰ http://ec.europa.eu/enterprise/entrepreneurship/sme_envoy/pdf/sec_2005_170_en.pdf

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EBN Website

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<http://www.ebn.be/content/main.asp?PageID=134>
<http://www.ebn.be/content/main.asp?PageID=57&MenuGroup=1&MenuNum=8>
<http://www.ebn.be/content/main.asp?PageID=7>
<http://www.ebn.be/content/main.asp?PageID=8>

EU Business Website

<http://www.europa.eu.int/business>

EU Citizens Website

<http://www.europa.eu.int/citizens>

EU Education Policy Website

http://www.europa.eu.int/comm/education/policies/2010/doc/jir_council/final.pdf

http://www.europa.eu.int/comm/education/policies/2010/et_2010_en.html

EU Internal Market Website

http://www.europa.eu.int/comm/internal_market/strategy/index_en.htm

EU Taxation Policy Website

http://www.europa.eu.int/comm/taxation/company_tax/key_documents/index_en.htm

E-Europe Website

http://www.europa.eu.int/information_society/eeurope/2005/index_en.htm

Your Europe Website

<http://www.europa.eu.int/youreurope>

Gate2Growth Website

<http://www.gate2growth.com/academicnetwork.asp>

Yourvoice Website

www.europa.eu.int/yourvoice/ipm

<http://www.europa.eu.int/idabc/en/chapter/140>

<http://www.europa.eu.int/idabc/en/chapter/452>

Interviews

Caliskanturk, Gulbin, Coordinator of the Gaziantep Euro Info Centres.

Personal Interview by Burcu Nakiboğlu Celik. Gaziantep, 28 April 2006