

IRMA¹ Workshop:

Dynamics of EU industrial structure and the growth of innovative firms

European Commission

JRC-IPTS-KfG and DGRTD-C2,

18 November 2010, Brussels (B)

Room CDMA SDR 2, Champ de Mars, rue du Champ de Mars 21, 1050 Brussels

Programme

Increasing the share of fast-growing innovative companies in the economy will become a key indicator to measure the success of the recently adopted Innovation Union², the new European research and innovation agenda. As a matter of fact, evidence from the analysis of top corporate R&D investors in the world suggests that differences in the rates of formation and growth of companies in high R&D intensity sectors may be a major cause of EU's R&D intensity gap with the US.

The workshop represents an opportunity for the decision-makers, researchers and analysts to take stock of relevant knowledge and evidence available on the dynamics of the EU industrial structure and the growth of innovative firms, to share on-going and future research agendas and analysis, and to discuss how to best support future policy initiatives aiming at a smarter, greener and more inclusive European economy.

10:00 – 10:15 **Registration**

10:15 – 11:00 **Opening Session (I)**

The opening session will provide the introduction of the context in which the Workshop is implemented and its main objectives.

Welcome: Xabier Goenaga, Head of Unit Knowledge for Growth, European Commission's JRC-IPTS

The context of the EU Innovation Union and Industrial Policy flagships:

Cyril Robin-Champigneul, Deputy Head of Unit, European Research Area policy, European Commission RTD C.1

Christopher Allen, Deputy Head of Unit, Industrial Competitiveness Policy, European Commission DG ENTR B.2

Questions and Answers

¹ The Workshop is organised in the context of the *Industrial Research Monitoring and Analysis (IRMA)* activities that are jointly carried out by the European Commission's Joint Research Centre (JRC) – Institute for Prospective Technological Studies (IPTS) and the Directorate General Research - Directorate C, European Research Area: Knowledge-based economy.

² European Commission (2010) - "Europe 2020 Flagship Initiative - Innovation Union". SEC(2010) 1161; Brussels, 6.10.2010 COM(2010) 546 final http://ec.europa.eu/commission_2010-2014/geoghegan-quinn/headlines/documents/com-2010-546-final_en.pdf

Advanced economies of the world may be similar in some economic indicators as income levels and productivity growth, but they can significantly differ in terms of their technological specialisation and hence in their industrial structures. These structures are the result of different evolutions over the past 30 years. Assuming that the structure of an economy can influence its overall average R&D intensity and with it the speed of achieving a knowledge-intensive society, it is interesting to look at changes in this structure over time in the EU and in competing and emerging economies in terms, for example, of value added from R&D intensive sectors.

Whilst the share of high R&D-intensive manufacturing sectors in total value added is relatively low, their role for technological development and competitiveness is essential. As a result of spillovers and other forms of knowledge transfer, R&D has a considerable positive impact on growth in the economy as a whole. On the other hand, non-scientific innovation (especially in some sectors), economic flexibility and adjustment capacity play a pivotal role for the European competitiveness.

This session proposes speakers and participants to address the following questions:

- Is there a complete and robust picture of the dynamics of the EU and worldwide economic structures for both manufacturing and services sectors?
- What do we know about the link and interactions between industrial structures and the successful transition to a knowledge-intensive economy and society?
- How important R&D and innovation (both technological and non-technological), economic flexibility and adjustment capacity are for European competitiveness?
- What role should EU and Member States policies play in relation to corporate R&D and innovation and the evolution of industrial structures?

Moderator

Tiit Jürimäe Head of Unit, Private investment and technology platforms, European Commission, DG RTD C.2

Speakers

Kristian Uppenberg European Investment Bank

Bart Verspagen UNU-MERIT

Discussants

Fernando Hervás, European Commission's JRC-IPTS

Isabel Grilo, Head of Unit, Product market Reforms, European Commission's Economic and Financial Affairs Directorate-General

Open discussion with the audience

An important element to understand the business R&D performance difference between the EU and competing economies is the size distribution of firms and its concentration across sectors (industries). The capacity of smaller companies to grow based on R&D and/or innovation depends on country, sector and technology specificities.

Evidence shows that the EU is lacking young leading innovators that become big players (i.e. top corporate R&D investors with tens of thousands of employees, created after 1974 and active in high R&D intensive sectors) compared to the US. This suggests that the growth of the surviving firms is not at the level of the main competing economies.

The smaller and less dynamic scientific base and more unfavourable 'framework conditions have been identified as causes to explain EU difficulties in shifting sectors within the manufacturing and services production.

This session proposes speakers and participants to address the following questions:

- What do we know about the age, size and dynamics of research and innovation intensive companies in Europe and what differences exist with other world regions?
- What are the most relevant determinants for the growth of these small companies and what differences exist between sectors?
- What quantitative tools are available to measure the contribution of smaller knowledge intensive companies to the overall EU competitiveness and growth?
- What role should EU and Member States policies play to favour the growth of R&D intensive companies?

Moderator

Xabier Goenaga, Head of Unit, European Commission, JRC-IPTS

Speakers

Pietro Moncada-Paternò-Castello, European Commission's JRC-IPTS.

Andrea Bonaccorsi, University of Pisa (I)

Werner Hölzl, Austrian Institute of Economic Research (A)

Discussants

Richard Cawley, European Commission DG RTD.C

Andries Brandsma, European Commission, JRC-IPTS

Cesar Santos Gil, European Commission DG ENTR

Open Discussion with the audience

The objective of the Round Table is to develop the policy implications of the issues discussed in the previous sessions and examine how future research can best support the design of specific policy measures.

During the round table, the following questions would be addressed:

- To what extent the issues of industrial structures and companies' dynamics can be addressed by concrete policy measures?
- What should be the role of different policy departments involved (research and innovation, industrial policy, specific sectoral departments)?
- What are the views from industry representatives and other relevant stakeholders and how to ensure their implication in the policy making process?
- What information do policy-makers need and how academic research can help, distinguishing between short and medium term needs?

Moderator

Jean-Claude Burgelman, European Commission - Directorate-General for Research, RTD.L.ADV02

Round table' panellists

Leif Kjaergaard, President of LEIF and FOOD SCIENCE (DK)

Grant Peggie, UK Department for Business Innovation & Skills

Paolo Pietrogrande, Member of the Board of Directors of Ryanair and of AMKA Onlus; Advisor of Wheb Capital Ventures and of 9REN; President of Netplan Management Consulting LLC.

Arie van der Zwan, Ministry of Economic Affairs (NL)

Open discussion with the audience

Wrap-up and next steps.

Speakers

Tiit Jürimäe, Head of Unit, Private investment and technology platforms, Research Directorate-General European Research Area: Knowledge-based economy

Xabier Goenaga, Head of Unit Knowledge for Growth, European Commission's JRC-IPTS

The following were members of the Scientific Committee and organizers of the workshop: Pietro Moncada Paterno' Castello, Daria Ciriaci and Fernando Hervás (all from the European Commission, JRC-IPTS).