

Seminar – 14th September 2010

From Knowledge to Competitiveness

The new paradigm – competitiveness through innovation

Twenty years ago, businesses focused on reducing costs and controlling production procedures of standardized products. During the 1990s, globalization changed the rules. The pursuit of competitiveness through innovation became the new paradigm in the evolution from an industrial economy to a knowledge-based economy.

Competitive, innovative businesses continually improve the quality of their products or services and develop key competences. Both process and product innovation increases productivity and gives enterprises competitive advantages in terms of cost, quality and produce variety.

Creating a conducive environment

Innovation drives growth, but implies risk of failure, particularly in the area of costly research and development where the investment may not yield results. Because the innovation process is complex and uncertain, it is important to create an environment conducive to effective innovation.

Managing the innovation process is critical to achieve the steady flow of innovation needed for sustainable, long-term success. To establish and develop innovation, all aspects of the business that foster innovation capabilities must be continually and systematically managed, including business and innovation strategies, organisational structures, stakeholders, and human capital. The necessary tools, methods, approaches and processes must also be managed, including resources management, technology watch (maintain an overview of the latest technological developments), competitive intelligence, creativity, benchmarking and knowledge valorisation.

This seminar – From Knowledge to Competitiveness – will focus on three tools that public authorities could use to support innovation to drive competitiveness and sustainable growth:

- Standardization
- Intellectual property
- Public procurement contracts

Three speakers will introduce the tools and explain how each is key to competitiveness. Panels will explore the tools in depth and develop recommendations to be compiled in a Communication from the Belgian Presidency to European Union's Competitiveness Council, comprised of ministers of European affairs, industry and research, among others.

Standardization

Standardization has played an important role in developing the European Union's Internal Market. The conclusions of the 25 September 2008 Competitiveness Council on standardization and innovation confirmed:

"[Standardization makes an essential contribution to] innovation and competitiveness by facilitating access to markets, enabling interoperability between new and existing products, services and processes, enhancing protection of users, giving consumers confidence in innovations, and disseminating research results."

There is an obvious relationship among research, innovation and standardization based on transferring research results into standards and on exploiting the results of standardization. Several measures that are likely to support the contribution of standardization to innovation will be discussed, in particular:

- Standardization as an evaluation criterion of research.
- The incentives needed to involve researchers more extensively in standardization.
- Improving the transparency of the processes of standardization.
- Creating more direct accessibility to existing standards.

Standardization can be a tool for disseminating state-of-the-art technology and processes to SMEs, thereby contributing to their competitiveness. However, both the use of standards and access to standardization activities by SMEs must be promoted and facilitated. This will reduce the potential impact of barriers such as the complexity of standards, the resources required to implement them and the overall cost of standardization processes.

Better integration between research and standardization is needed, which will demand a closer integration of the European Commission's Directorate Generals. Innovation and standardization are issues that concern many DGs, including those responsible for competition policy, innovation, and the Internal Market. Various ministries at national level are also implicated.

The European Standardization Organizations are paying close attention to improving links. Their Working Group "STAIR" (Standards, Innovation and Research) has prepared proposals on an "integrated approach" to link standards and research and concrete implementation is on the way. In addition, a European Technical Committee on innovation management has started. This will prepare specifications to support innovation.

Intellectual property

Intellectual property (IP) plays a fundamental role in a knowledge-based economy. Human capital, know-how, ideas, brands, design, and inventions are drivers of creative and innovative enterprises. Today, these intangible assets are growing in value relative to an enterprise's physical goods – buildings, property, equipment, and capital assets – and create real market power.

For IP to become an effective economic tool, it must be enhanced. Companies must protect their intangible assets through intellectual property rights (IPRs), which includes:

- Patents and utility models for innovative products and processes.
- Topographies of integrated circuits for microchips.

- Industrial drawings or models for creative drawings or models, including textile drawings or models.
- Trademarks for distinguishing goods or services from those of competitors.
- Copyright and related rights for cultural, artistic or literary works, including, in most countries, computer software and data compilation.

These IPRs offer exclusiveness to the enterprise with regard to its inventions and creations in a given territory for a fixed period of time. In exchange, IPRs are published in the public domain, which contributes to the diffusion of innovations.

IPRs are valuable for enterprises as they can serve as collateral for obtaining funding. These rights give enterprises a degree of exclusiveness and can enhance market share for a certain period of time. For these reasons, enterprises should be made aware of the potential commercial value of their IP assets, which can be evaluated by specialists and listed on account balance sheets.

Today, commercial loans and bank credits secured by IP assets is not common. However, increasingly businesses are using IP assets to finance the creation of new enterprises and their expansion.

A conference especially dedicated to the Community Patent System will be organized on November 3rd, 2010 by the Belgian Presidency and the Commission. This conference will address the issues of the EU Patent and the European Court for EU Patents and European Patents.

Public procurement contracts

Many enterprises are reluctant to pursue innovation because of the risk involved. Consumers are not always open to innovation and often wait until a product or service has been fully tested before taking the plunge.

Public procurement is the best tool for public authorities to stimulate demand for innovative products and services. This is even more important in the pre-commercial phase where the risk is greater. Because the procedure of qualitative selection is envisaged in most public procurement regulations, it is perfectly legal to use this tool to promote the purchase of innovative products and services by public authorities.

A study funded by the German Authority shows that promoting innovation is the last priority for public procurement authorities. Securing best value for money and protection of bidders from discrimination are the most important aims of procurement regulation. Budget policy typically gives more weight to the price factor than to qualitative features. In this context, taking innovation into account is unlikely. It is certainly more comfortable for an authority to rely on an undeniable factor such as price. The use of criteria other than price can be risky in that the selection of the successful bid could be misinterpreted; it also complicates comparative evaluation and could lead to complaints by unsuccessful bidders.

Risk sharing could contribute to overcoming this situation. The economic impact of technical risks of highly innovative products and services might be regulated by contracts that specify the distribution of risk between the public procurer and the private enterprise. Political and organisational risks should also be considered. Standards could become an important tool in this area. Referencing standards minimizes technical risks and could be viewed as accepted best practices.

There is much work to be done in this area. Solutions and examples of using public procurement processes to support innovation exist. The seminar will showcase best practice.

The panel debate will also address green public procurement, which was the subject of a Communication from the European Commission on 16 July 2008. By using their purchasing power to acquire products and services that respect the environment, EU Member States could make a valuable contribution to sustainable development. Examples of buying green include purchasing high energy-efficient computers and buildings, recycled paper, electric cars, using environmentally friendly public transport, serving organic food in canteens, and using electricity from renewable energy sources.

Green public procurement sets a good example for consumers and has the potential to influence the market. In addition, through green public procurement public authorities can encourage industry to develop green technologies.