

# Creating an Innovative Europe

Report of the Aho Group

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- 2000 Lisbon European Council set goal of becoming by 2010
  - "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion"
- 2002 Barcelona European Council, reviewing progress towards Lisbon goal
  - agreed that investment in European R&D must be increased with the aim of approaching 3 % of GDP by 2010
  - also called for an increase of the level of business funding to two-thirds of total R&D investment
- 2004 Wim Kok group reviewed progress
  - “disappointing delivery” is due to “an overloaded agenda, poor co-ordination and conflicting priorities”. Main blame lack of political will by the member states
- 2005 Spring Council relaunches Lisbon Strategy
  - More focus on growth and employment, simplification and national ownership via national action pla

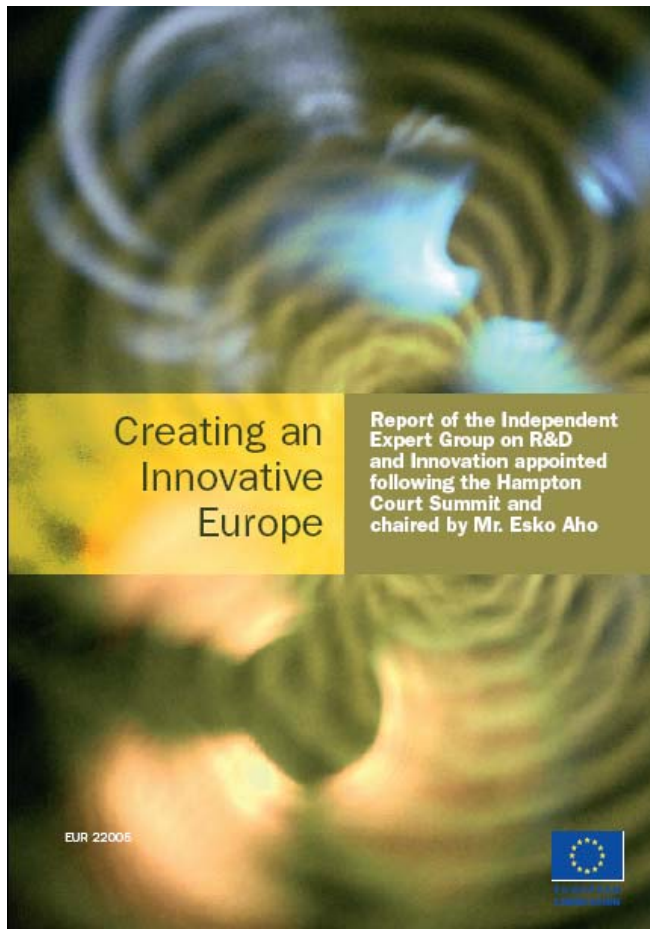
## The Mandate

- Late 2005 Summit at Hampton Court Palace concludes much still to be done
- Group of "personalities" mandated to report to the European Commission in readiness for the 2006 Spring European Council with views, advice and recommendations on
  - ***Reinforcing EU Research and Innovation Performance in the Face of Globalisation***

# Aho Group

- **Mr. Esko Aho (Chairman)** - Former Prime Minister of Finland & President of the Finnish national fund for research and development (Sitra)
- **Dr. Jozef Cornu** - Chairman of the information society technologies advisory group of the Commission (ISTAG), former President and COO of Alcatel Telecom, board member at Alcatel, KBC Group, AfgaGevaert, Barco & Arinso
- **Prof. Luke Georghiou (Rapporteur)** - Associate Dean for Research, Faculty of Humanities and PREST, Professor of Science & Technology Policy and Management, and Director of PREST, Manchester Business School - University of Manchester.
- **Prof. Antoni Subirá** - Former Catalan Government Minister of Industry, Trade & Tourism, Professor at the IESE Business School (Barcelona), Chairman of the Advisory Board of the competitiveness institute TCI, Board Member at Mercapital & Air Products.

# The Report – *Creating an Innovative Europe*



[http://ec.europa.eu/invest-in-research/action/2006\\_ahogroup\\_en.htm](http://ec.europa.eu/invest-in-research/action/2006_ahogroup_en.htm)

Summary in 20 languages!

## A need for action

- There is a large gap between:
  - the ***rhetoric*** of a political system that applauds the knowledge society  
and
  - the ***reality*** of budgetary and other priorities that have shown little shift in preparing to engage with it!

## Negative trends

- Productivity falling behind
- Failing to capitalise on the application of ICT
- Losing out as large firms globalise their R&D
- Locked into unmodernised traditional sectors and under-investing in services R&D
- Rising demographic challenges

## Radical reforms

- Putting R&D and innovation as a pillar of Lisbon Strategy is correct, but...
- ...accelerating the transition from a resource-based society to a knowledge-based society requires mobilisation of a broad range of actions beyond R&D and innovation

## A paradigm shift

- A market-led vision and a reformed social model conducive to innovation are not alternatives to European values but are essential to ensure their sustainability and affordability
- Europe requires a new paradigm of *mobility*, *flexibility* and *adaptability* to allow R&D and innovation to create the value that can support our quality of life

## Four-pronged strategy

- Simultaneous and synchronous actions are needed at all levels in:
  1. Creation of a market for innovative products and services
  2. Providing sufficient resources for R&D and innovation
  3. Improving the structural mobility of Europe, and
  4. Building positive attitudes and a culture favourable towards entrepreneurship and risk taking

## Innovation-friendly market

- Ambitious lead projects - *strategic areas*
- Harmonised regulatory environment - *anticipate needs*
- Ambitious use of standards-setting power - *reorganise processes*
- Intelligent use of public procurement - *more proactive*
- Globally competitive intellectual property rights system - *overcome the impasse*
- Fostering a culture that celebrates innovation

# Resources for R&D and innovation

- 3% as an indicator, not an end itself
- Maximising leveraging effect through
  - Supporting excellence generously
  - Smart use of R&D grants and fiscal incentives
  - Tapping the potential of philanthropy
- Enhancing science-industry collaboration
- Increasing the productivity of R&D in Europe
- Directing 20% of structural funds into research and innovation

# Structural mobility

- Europe should aim to have 10% of the **research workforce** in any given year moving across the boundaries of science, industry and government;
- several recommendations are made to reverse the dramatic fall in **venture capital investment** (only €946 million raised in 2004 compared to €5,370 million in 2002 and €9,660 million in 2000);
- a strong endorsement is made of **technology platforms and clusters** but their financing and commitment must be of a scale to be able to drive forward their sectors.

## Creation of lead markets

- Demanding markets and public policy to play a significant role in e.g.
  - eHealth
  - Pharmaceuticals
  - Energy
  - Environment
  - Security
  - Electronic Entertainment and Content
  - Transport and Logistics

## High Level Coordinators

- Appointed senior individuals with
  - High standing
  - Demonstrated independence
- Orchestration of European actions
  - Commission, Member States and Regions
  - Liaise between R&D performers, regulators, users and sectoral stakeholders

## Pact for research and innovation

- Builds on the achievements and on-going actions under revised Lisbon Strategy and National Reform Programmes
- Much stronger commitment is needed to adapt European economy to the new paradigm of Innovative Europe - a joint process!
- Independent panel to monitor progress
- A route which resonates strongly with the origins of European Union, Single Market and Common Currency
- Last words - ***Before it's too late!***

## Impacts so far...

- European Spring Council (Summit) March 2006 – Presidency Conclusions
- “A comprehensive approach to innovation policy can be achieved by supporting markets for innovative goods and services and excellence in research in new technologies, including information and communication technologies (ICT) and eco-innovations... “
- “The European Council accordingly calls for a broad-based innovation strategy for Europe that translates investments in knowledge into products and services.
- In this context, the European Council notes the significance of the Aho report on Creating an Innovative Europe and invites the Commission to assess its recommendations and the incoming Presidency to report on progress before the end of 2006. “

and...

- Incoming Finnish Presidency committed to make “lead markets” the main theme of EU policy
- Strong support for report expressed by all European business associations
- Commission interpreting summit communique as mandate to implement
  - More explicit balance between supply and demand
  - Implementing both horizontal recommendations and the vertical lead market sectoral approach
  - Several Commissioners involved in implementation – joined-up strategy
  - Specific actions on clusters, knowledge transfer, innovation in services, fiscal incentives, State Aid...

# Postscript

- The next EU-US event...
- ***Second International Seville Seminar on Future-Oriented Technology Analysis (FTA), 28th- 29th September 2006***
- <http://forera.jrc.es/fta/intro.html>
- Abstracts open for one more week!

