INCREASING THE INNOVATIVE CAPACITY OF TRADITIONAL AND DIGITAL BUSINESS ACROSS THE SINGLE MARKET IN EUROPE

Change of environment

Digital innovation and technological convergence are rapidly transforming the global economy. Advancements in electronic communications, platforms, big data, the internet of things, data analytics, sensors, robotics and 3D printing to name a few are challenging all types of industry. They are increasing consumer expectations, creating changes to business models and enabling digital entrepreneurs as well as traditional industries like manufacturing to tap into areas such as health, energy, transport, construction, entertainment and defence.

Europe is in an excellent position to take advantage of the opportunities digital innovation and technological convergence brings. The continent has not only become highly connected in terms of the adoption of new technology and trends such as smartphones, e-commerce and increasingly future technologies such as connected cars; but it is and will remain the largest trading bloc in the world, with over 500 million potential customers on our door step.

However keeping up with fast paced change is the main challenge for Europe as there are still too many sectors that are not taking advantage of the growth opportunities that digital innovation brings.

Together businesses, Member States and the European Union need to consider how we adapt, change and simplify the regulatory environment to ensure it is fit for purpose in the digital world. At the same time private and public sectors need to be bold; increasing investments in innovative technology, and building their digital DNA to reach the forefront of innovation. Both will be fundamental to the growth and success of the European economy.

The role of Industry: lead, adapt and embrace

From large manufacturers to scale-ups and SMEs, Industry has a clear role to play during this transition. All businesses now need to take the lead and re-think the way products are developed, designed, produced and sold.

The results will be far reaching, with reduced defects, demand driven production, shortened time to market and greater consumer choice and satisfaction. Increasing the take-up of digital technologies through value chains goes hand in hand with a flourishing and competitive ecosystem that does not buy into digital innovation – but leads it.

The role of the European Union and Member States

The European Union needs to focus on the right actions that add value for business to succeed in the digital world. We agree that targeted public policy can help create the best conditions for growth. Working together across the institutions, the European Union should create a dynamic regulatory framework that is competitive, innovation friendly, and incentivises all business sectors to embrace the potential of digital change, and innovation to maximise growth.

A 'targeted approach' to the Digital Single Market

The Digital Single Market strategy aims to reduce burdensome barriers to growth, unleash online opportunities, and provide the necessary foundations for business to continue to innovate and penetrate new markets. In our opinion this initiative has the potential to fuel digital innovation and growth across all sectors.

Now we need a targeted approach to ensure this is a reality. Both the Italian and British Government agree that the Digital Single Market strategy and in particular digitisation of industry package will transform business sectors and deliver a growth boost across the European economy if actions in this area reflect the following four principles below:

1. **An attractive business environment**
    Europe should look to incentivise business investment in the EU and position itself as the NO.1 place to start-up and grow a business

    - Think small first: Start-ups and scale-ups need to be supported in a friction free environment if we want them to compete globally- failure is not the end
    - All initiatives need to be innovation friendly, underpinned by better regulation principles, and accommodate all businesses from an SME or Start-up to Scale-up and traditional business such as manufacturing.
    - Promote tools before rules- we should multiply opportunities not constrain them
    - Deliver VAT simplification to enable business to reach high levels of growth.
    - Build consumer trust to shop cross border through aligned cross border protection frameworks for both consumers shopping online and offline
    - Deliver cost efficient, transparent cross-border parcel delivery
    - Support the adoption of digital signatures to reduce administrative burden

2. **A dynamic regulatory framework**
    The EU should take bold steps to create an open and flexible market with clear standards and a regulatory framework that reflects the dynamic nature of the European economy

    - Maintain a strong evidence based competition framework that keeps pace with the digital revolution and acts fast.
    - Ensure that platforms are allowed to continue to bring new opportunities for consumers, businesses, content providers and rights holders, and take action on

online infringement. However any new regulatory requirements must be proportionate and evidenced based

- Promote self-regulation to increase transparency and social responsibility
- Technology neutral - forward thinking approach to electronic communications
- Adopt future proof legislation that supports the free flow of data which is a precondition to growth in data driven, interdependent global economy.
- Open up data sets so business has confidence to invest and take advantage
- Strongly support industry led ICT Standards that are global and focused on five priority areas. This will provide business with the certainty they need to take-up new technologies and tools across sectors.
- Strengthen the single market in services, reflecting the convergence of goods, services and digital. Ensure strong enforcement of the Services Directive and introduce further targeted reforms for example an ambitious services passport.

3. Facilitating the right infrastructure and skills

Digitalisation and innovation will transform most aspects of all business sectors –the EU should take a cross sector approach and ensure the correct infrastructure and skills are in place to allow businesses to continue to innovate and grow.

- Connectivity: deliver high quality, reliable broadband including in rural areas and successfully roll out 5G.
- Digital by default culture with all major public services available online
- Deliver 'Once only Principle' to accelerate interconnections in digital public services- reducing administrative burden on businesses.
- Integrative approach- employers need to act as educators collaborating with education, government and innovation hubs to develop skills that they need.
- Deliver an ambitious industry led EU skills agenda that embeds a wide range of digital skills in education and labour policies preparing skills for the future.

4. Incentivising take-up of new- emerging technology

Business sectors no longer view digital as a niche sector but as a spinal cord running through their value chain. Member States and the European Commission should identify where they can increase the take-up of emerging technology and innovation.

- Incentivise business by removing the risk to invest - private sectors can release investment quickly.
- Support use of horizon 2020 funding to offer economic incentives for R&D and take-up of technology.
- Increase the ambition and speed of delivery on Capital Markets Union
- Support the creation of business led sector specific innovation hubs that share best practice, launch large scale pilots, increase data driven research and create partnerships and connections between SMEs, Start-ups and big business.
- Support a user centred knowledge platform that increases awareness of benefits and efficiency gains of emerging technology and provide awards to business.