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## **A NEW SME STRATEGY:** **For an inclusive SME strategy at EU level**

### **INTRODUCTION**

Cooperatives Europe is the European cross-sectoral organisation representing more than 176.000 cooperative enterprises in Europe, from 34 European countries. Our members are diverse and active in all economic activities (industry and services, energy, housing, agriculture, banking, consumer and pharmaceuticals). As local anchored businesses, we advocate for an economy that serves people.

During the European elections campaign, Cooperatives Europe presented in its **Strategy Paper 'Cooperative future for Europe'** the contribution of cooperatives at the European level and its key priorities. The paper calls for a permanent and constructive dialogue with the European institutions, which is in line with our recommendations for the upcoming SME strategy. Indeed, European SMEs encompass a large share of cooperative enterprises.

### **I- GENERAL COMMENTS**

The European entrepreneurial ecosystem is composed of different sizes but also various business models. In Europe, though among cooperatives there are many large enterprises, most cooperatives are SMEs active in all sectors of the economy. They differentiate themselves from traditional businesses, as they not only put people at the centre of their business model, but also govern their businesses democratically. Hence, public authorities need to consider this significant competitive business model among SMEs.

There is a necessity to develop and implement an inclusive, efficient and comprehensive SME strategy to allow all types of businesses – including cooperatives – to grow and scale-up in the EU market economy. This is also the reason why the SME Strategy should ensure a level playing field among the diversity of SMEs in the EU single market.

Cooperatives Europe recommends to still address priorities in line with sustainability as described in the previous SBA and the European SME Action Program drafted by the SME Envoy Network.

Implementation of the SME strategy will require coordination among DGs within the European Commission and with Members States for implementing it. Moreover, further coordination is necessary with business organisations in terms of implementing and assessing the SME strategy. In this regard, the role of the SME Envoy should be confirmed and strengthened.

Finally, Cooperatives Europe reminds that national public authorities should support small businesses in their creation (an important aspect that needs more attention) and scale-up phases.



## II- SPECIFIC COMMENTS

The SME strategy should also target the following **issues**:

### 1. Green transition

The Commission's programme regarding the green deal mirrors cooperatives' core mission of bridging social and economic aspects with a long-term view, including the challenge regarding climate changes and environmental issues. Cooperatives are innovative actors regarding this last issue. European SMEs should benefit from the right framework and support structures when they are greener, as well as in the transition phase to become greener.

The biggest obstacles in becoming more environmentally sustainable is usually a question of changing productive mechanisms that are very often rooted in enterprises. It involves restructuring jobs and sometimes the number of jobs. Furthermore, every transformation requires investments. Specific financial support for such investments are strongly recommended.

More specific suggestions:

- Cooperatives, in their standard legal form, offer the right pre-conditions for a successful development of the bio-economy with the full involvement of primary producers by ensuring the minimum economies of scale necessary for setting up certain value chains or as an important factor in establishing new practices at the level of the primary production.
- Consider financial support for SMEs which are active in the area of (producing) renewable energy and the "Green Economy" in general:
  - o Emphasise the value of renewable energy cooperatives which can support European energy transitions on a community ownership level;
  - o Promote the value of SMEs which are active in the "Green Economy" sector and raise the awareness regarding the contribution of such SMEs to counteract climate change.
- Use the know-how and capacity of renewable energy cooperatives to support the fulfilment of the objectives of the European Green Deal to stimulate a market for SME cooperatives involved in renewable energy, ensuring their access to finance and support services.
- Establish support programmes for "Green Economy" cross-border activities of SMEs in Europe.
- Set up a specific financing programme for micro SMEs to support them in energy saving actions.
- Ensure SME participation in green clusters, e.g. through industrial transformation partnerships of the joint cluster initiative (budget foreseen under new MFF) to help SMEs integrate strategic and global value chains.
- Develop a tool aiming to harmonise all new national regulations with regards to circular and low carbon products but without additional burden to SMEs.

- The 'Green Deal measures' should be assessed regarding their impact on SME's policies and their diverse size or way of doing business.

## **2. Digitalisation**

Digitalisation represents at the same time an **opportunity** for SMEs to innovate and expand their activities, but also **a challenge**, especially in terms of HR (staff training), activities, organisation, technical requests and relation with consumers. These technologies are not yet fully accessible, and a lot of effort is still necessary to raise awareness on opportunities and risks for SMEs.

Cooperatives Europe advocates for a holistic approach among all measures and services of the European Commission to ensure that new legislation, which should not be burdensome, is designed for an enabling digital business environment and a flexible enough legal and regulatory framework. Such an approach should also ensure fairness, transparency and a level-playing field for all enterprises. Moreover, considering that SMEs are not homogenous in terms of internal capacity and resources and range from microenterprises to medium sized companies, tailored support measures according to their level of digitalisation and size are essential.

Cooperatives Europe would like to suggest the following proposals:

- On support services: Establish a web-based intranet and exchange forum for SMEs in order to provide a platform through which members can exchange their experience on digitalisation.
- Digitalisation today goes hand in hand with the arising topic of e-commerce in SMEs; provide support to establish joint marketing and E-commerce platforms for SMEs and thus provide the basis so the SME networks can be set-up.
- Integration among all European programmes should be pursued in this area, in particular between Structural Funds (e.g. ERDF and ESF+) on one side, and EU Invest, Digital Europe and Horizon Europe on the other side, in order to tackle different issues related to digitalisation processes, such as empowerment of SMEs investment and R&D&I capacity, support to training and retraining programmes.
- It is important to better assist enterprises in their start-up and scale-up phases for their digital endeavours by encouraging the investment in technology and training on the subject. Furthermore, a real connection between the university and the start-up ecosystem is needed. For instance, support partnership between IT schools and local SMEs should be put in place to train managers and workers as well as implementing a guide for SME digitalisation that would ensure that public services are adapted to the digitalisation.
- The Digital Innovation Hubs (DIHs) network should be reinforced by establishing synergies between EU, national and regional levels. Establishment of thematic Digital Innovation Hubs networks focused on the impact of digital technologies on individuals and communities resulting in social innovation processes should be strongly encouraged.

The programme should ensure that SME's have the skills not only to benefit from the opportunities of digitalisation, but also to face the particular risks of it might present.

### **3. Access to finance**

Access to finance, long-term financing and equity investment, are pre-conditions for all SMEs to be able to start and scale-up their activities.

The provision of loans by banks is not problematic in most European countries. However, the issue stems from *first* the lack of knowledge of the various funding supports available for all SMEs. *Then* cooperatives' structural difference combined with strict governance rules make them less attractive to financial investors resulting in greater difficulties to access capital.

Therefore, actions are needed to ensure that cooperatives are specifically promoted as eligible recipients of funding, across all financial instruments and support measures and expand the current funding sources to cooperatives, in order for them to have access to venture capital in the capital markets.

But beyond this general point, Cooperatives Europe would like to suggest specific measures:

- Decrease overregulated frameworks which might obstruct smaller SMEs in accessing funding opportunities.
- Establish favourable framework conditions for SMEs to have an easier access to finance and loan opportunities.
- Support the establishment of (public) funding or loan programs and special credit lines for SMEs aiming at triggering new economic activities (such as start-ups or new business ideas of existing SMEs). e.g. providing a measurable additional value for reducing climate change impact.
- The EU should encourage market-based development of alternative forms of financing to SMEs (e.g. lending platforms and crowd-investment), allowing them to realise riskier and more innovative projects. Alternative forms of finance should then be developed and made accessible for innovative SMEs, making them more attractive for investors.
- Setting-up specific capital funds in order to provide financing for cooperatives should be encouraged. This has been successfully developed in some EU countries like France or Italy. These funds have a leverage function with regard to bank loans and equity finance.
- The communication to access EU funds as well as the rules regarding the access should be simplified for micro SMEs and consider the diverse form of doing business when relevant.

#### **4. An adapted regulation for SMEs**

SMEs are confronted by several regulation challenges such as rules that are not adapted to the impact of digitalisation and new types of economy, complexity of the regulation and sometimes even conflicting measures. The adapted regulation should consider the new needs of SMEs and avoid over-regulatory barriers for SMEs; especially considering that small SMEs do not have the capacity to fulfil overloaded regulations.

The “Think Small First” principle should be applied more thoroughly when preparing initiatives, particularly through the SME test. If the impact on SMEs is insufficiently considered in impact assessments, the Regulatory Scrutiny Board should have the power to return it to the responsible DG. Cooperatives Europe also encourages consultation process to be organised in as many languages of the EU as possible, in order to properly cover the various needs of SME’s across Europe.

The quality of SME Tests on legislative proposals must be improved, considering that such tests must also comply with article 54 of TFEU, which officially recognises the plurality of business forms. Therefore, those tests should also analyse the possible effects of EU’s legislative proposals on all types of SMEs, including cooperative SMEs.

Cooperatives Europe presents also the following suggestions/comments:

- Based on the “Think Small First” principle, a dialogue forum should be created for both SMEs and relevant EU authorities on a macro level in order to provide an exchange platform for the two and thus provide SMEs a voice on the decision-making level (for example on economic regulation, trade agreements, etc)
- Cooperatives Europe notes that there is still a huge disparity among Member States with supporting policies and programs and adequate legal frameworks and countries where cooperatives cannot operate properly because of lack of supporting policies and programmes or adequate legal frameworks. The new strategy should ensure that these obstacles are removed.

#### **5. Promoting entrepreneurship**

Promoting entrepreneurship yet to be included in the agenda, where all business models and sectors of activity are considered valuable. Cooperatives Europe calls for an enabling entrepreneurial policy that stimulates SMEs, creativity, innovation and entrepreneurial education throughout the society. There is a need for a real recognition of cooperatives in the design of entrepreneurial policies at the EU level and support for ‘cooperative-friendly’ entrepreneurial policies:

- **Entrepreneurship education** in EU Member States is lacking in secondary and tertiary education, in particular with regard to sufficiently informing students about the different business models and practices suitable for new ventures. Specific features such as cooperative governance and financial structures of cooperative enterprises should be included in the

curricula of the educational institutions. With younger people increasingly interested in socially responsible businesses, young entrepreneurs in Europe would benefit from greater knowledge about cooperatives and other innovative business models. A special effort should also be made to further develop the entrepreneurial potential of women and migrants, notably by providing non-traditional type of business models for their entrepreneurial ventures.

- **On support services/programmes**, the European Enterprise Network (EEN) should be better promoted and it should be examined how the EEN can best include a cooperative dimension in order to respond to cooperative business needs such as providing information on relevant contacts and or/services across borders. The EU Commission, with the help of stakeholders, should identify national practices in the area of business support services that are giving advice to cooperatives in general and disseminate the information to stakeholders. In the same context the Commission should examine how best to support EU inter-cooperative business networks.
- Regarding **programmes**, the issue is less about having support programmes, and more about being aware of them. A better coordination between concerned actors, including cooperative organisations should be developed.

## **6. Specific point for actions**

### Business transfer

One third of business transfers may not be successful because of the lack of adequate information, support services and issues regarding planning and management. The next SME strategy should support an EU-wide matching platform for universities and business schools focusing on business transfers. This would help to promote business transfers to employees under the cooperative form in countries where obstacles exist.

### Internationalisation of SME's

During the discussion of the Free Trade Agreements, the issue of SMEs as well as the EU market Access should be addressed. Cooperatives Europe suggests supporting an international environment that is more conducive to doing business for SMEs by establishing and following up SME dialogues with key EU trade partners.

## KEY CONCLUSION

The new SME Strategy needs to enable SMEs to grasp opportunities and help them respond to their main challenges. Thus, an SME strategy established at the beginning of the new Commission's mandate, with a clear vision for 2024, should also be accompanied by concrete measures with a timetable for implementation. It should enable all type of SME's, including cooperatives, to develop their activities and benefit from digitalisation.

*End*

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