



CEA-PME  
**European Entrepreneurs**



**An SME Strategy for a  
sustainable and digital Europe:  
More of the same?**

**European Entrepreneurs CEA-PME**

Confédération Européenne des Associations de Petites et Moyennes Entreprises

The biggest European Confederation of voluntarily associated Small and Medium-sized companies

# Foreword

On Tuesday 10 March, the European Commission presented its Industrial Strategy. Alongside the strategy, it presented the new SME Strategy for a sustainable and digital Europe, focusing specifically on SMEs. Whilst European Entrepreneurs CEA-PME welcomes the fact that the Von der Leyen Commission decided to present a specific strategy for small businesses – in contrast to the Juncker Commission – our members are all but impressed with its dated contents and lack of fresh ideas. We sincerely hope that the EU Institutions will engage in a constructive dialogue with us over the coming months to ensure a better legislative framework for our SMEs.

It is discouraging to see that, 12 years after the launch of the Small Business Act for Europe, two out of the three pillars of the new SME Strategy are exactly the same as in 2008: regulatory burden and access to finance. The SME test still is not implemented properly, and the one-in-one out rule is presented as a new idea. We see a heavy reliance on the Enterprise Europe Network, which is nearly unknown to entrepreneurs as chambers tend to talk about themselves instead of the EU-funds they receive. The EU SME Envoy has had a number of predecessors already and the national SME Envoys network - though helpful - has been up and running since 2011. The new Fit for Future Platform is welcomed but sounds a lot like the High-Level Group on the Reduction of Administrative Burdens (Stoiber Group), which was established in 2007. We are also missing plans for a revamping of the Regulatory Scrutiny Board which is too small and lacks adequate SME representation.

We expect European SMEs to digitalize rapidly, whilst at the same time living up to a very ambitious European Green Deal. We want SMEs to innovate and to stay in Europe to scale up, but the lack of access to finance and tremendous regulatory burden pushes them out of the EU. We expect entrepreneurs to make use of the full potential of the Single Market, whilst small businesses suffer the most from the many Single Market barriers by single member states. Great ambitions require innovative ideas, which we are not seeing enough of.

To “Think Small First” cannot be achieved by proposing old and outdated ideas. We sincerely hope that the Commission will go into listening mode over the next months to hear what SMEs really want and what they propose. European Entrepreneurs CEA-PME and its members will be at their fullest disposal to work together towards creating a better Europe for SMEs”.



**Mario Ohoven**  
**President European Entrepreneurs CEA-PME**

# CEA-PME Recommendations

## Introduction

In this section we will outline a number of core recommendations that we hope the EU Institutions will take to heart when further developing and carrying out the SME strategy. First and foremost, we believe that the European Commission must really go into 'listening mode' to see what SMEs really need.

### **Not all SMEs are startups or scale-ups!**

CEA-PME appreciates that digital entrepreneurship is very important and understands the European Commission's wishes for Europe to become more competitive in this regard. It is important to make it easier for European entrepreneurs to start a business and even more important to foster an environment that stimulates creativity and growth. Access to finance and eliminating all unnecessary burdens are key elements to achieving this.

Throughout the SME strategy - as well as the Commission's communication in general - there is a very strong emphasis on digital entrepreneurship, venture capital and growth. Although we agree that this is important, CEA-PME warns against over-emphasizing on this relatively small category of SMEs at the expense of traditional and low-tech SMEs. Not all SMEs are startups and scale-ups. Most entrepreneurs start their business because they have a vision, a goal, which they want to make a reality. But not all SMEs want to grow into large businesses, and we need to respect that. These SMEs form the majority of all EU SMEs, they are the most important creators of employment, and they need your help. Get rid of the mountains of red tape that are slowing down SMEs on a daily basis, make sure they get the access to finance they so desperately need and help them do business throughout the EU Single Market, easily and effectively. Create the regulatory environment that is needed for SMEs to be able to focus on what they should be focusing: doing business.



# CEA-PME Recommendations

## Comparing apples to oranges

For many years we have been talking about the definition of SMEs, and whether this definition needs to be revised. Yet, we consistently fail to focus on what is really important, which is to differentiate between the different company sizes within the SME spectrum. Comparing micro-companies to medium-sized businesses is like comparing apples to oranges: you can't. What is perfectly manageable for a company of 200 employees can be extremely burdensome to a company of 3. Yet, they are both considered SMEs and largely need to adhere by the same rules.

The vast majority of European SMEs are micro-companies. It is time to realize this and to legislate accordingly. The first page of the SME Strategy states that "This strategy recognizes their different needs helping companies not just to grow and scale up, but also to be competitive, resilient, and sustainable." CEA-PME encourages the European Commission to follow through on this promise.



## Getting down from the ivory tower

The reputation the EU has with many European SMEs is not great. It is often misunderstood and seen as detached from real life; the infamous EU Ivory Tower. Small business owners feel that the EU is far away, as they are having enough difficulties navigating their own national systems. The EU needs to find better ways of communicating with SMEs on the ground. Relying too much on European Networks is not going to achieve this. The SME Strategy mentions the Enterprise Europe Network as an important interlocutor, but the network is not well-known amongst small business entrepreneurs and hardly visible at local level. The same is true for online EU Portals. The European Commission spends a lot of time and energy trying to establish the one true one-stop-shop, the holy grail of all portals. The Single Digital Gateway is a good idea and, if it works, it can be of significant help to SME, trying to take part in the Single Market. However, for a portal to really work, SMEs must first be aware of it and actually use it. Chances of business owners clicking their way through to an EU portal are very small. The EU should therefore focus on getting closer to actual SMEs. Make better use of existing structures catering to SMEs, such as CEA-PME and other umbrella organizations. We consist of national SME associations that already have working structures in place. Another professional group CEA-PME believes is overlooked are accountants. Accountants are for many SMEs the first point of contact when they have questions about their business. The EU should investigate ways of utilizing accountants and their networks, as they can be great catalysts to raise awareness amongst SMEs across the EU.

# CEA-PME Recommendations

## Allocating real budget to the ‘backbone of the European Economy’

“SMEs are the backbone of the EU economy” might just be the most used phrase in EU history. Unsurprisingly, it is the very first sentence of the new SME Strategy. Another well-known phrase in the English language is “putting your money where your mouth is”. Time and time again SMEs are described as the backbone of the economy, yet the portion of the EU budget that is allocated to SMEs is insignificant. The SME Strategy touts funding programs such as HORIZON2020 and COSME as successes. Whilst it is good that dedicated SME funding tools exist, the budgets they manage are miniscule in the greater scheme and they only serve a small number of SMEs. Without a healthy backbone, we are paralyzed. Should we therefore not be taking the best care possible of our backbone? If the EU wants serious about stimulating European SMEs and helping them prosper, it needs to be serious about the funds it allocates towards achieving this.

Moreover, we urge the Commission to recalibrate the way it has approached SME financing these past years. There is too much reliance on equity finance, such as Venture Capital. This is an important source of finance for startups with a high growth and high return potential, it is not applicable to traditional SMEs. We must not forget that traditional innovation still accounts for the majority of innovation!



Public procurement finally needs to be made truly accessible for SMEs. The SME Strategy acknowledges that it is difficult for SMEs, including start-ups to successfully compete in public tenders. Procedures are still far too complex and tendering institutions prefer to choose the safe and easy way, making it almost impossible for SMEs to enter. The language in the SME strategy shows that the Commission is not ready to really push on this matter. It is not enough to ‘call on’ or ‘encourage’ Member States to do better. The EU needs to attach real conditions to using EU funding, which open up the tendering process for small players as well. Launching a label for display by public buyers, who adhere to “SME-Friendly” procurement practices sounds nice but means nothing in practice. Real change requires real measures.

CEA-PME supports the InvestEU mechanism and we urge the European Commission to increase its budget. As roughly 90% of SME financing needs still rely on bank-based financing, we welcome the idea of introducing a single integrated guarantee facility. We encourage the Commission to use this mechanism to allocate some much-needed debt financing towards SMEs.

# CEA-PME Recommendations

## Guiding SMEs through the twin transition

One of the main aims of the Industrial and SME Strategy is the twin transition: climate and digital. The SME strategy not only asks SMEs to take part in but to drive the sustainable transition. The Commission argues that “Many SMEs are well equipped, being flexible, high-tech, innovative and committed to the values driving sustainability and the circular economy”. We do not dispute that SMEs have the right values and commitment, but we do ask ourselves on which basis the Commission argues that “many SMEs” are well equipped and high-tech. The fact is that a lot of SMEs are not, which brings us to our main point in this regard: if the Commission expects SMEs to drive the transition, it will first need to create the right environment for them to do so. The Strategy acknowledges that a third of SMEs report that they face complex administrative and legal procedures when trying to make their business more resource efficient. The same is true for SMEs’ participation in the Digital Single Market. The Commission states that SMEs do not yet fully benefit from data, the lifeblood of the digital economy and that they have difficulties establishing a digital strategy. It is all about access. Small businesses simply lack the know-how, the time and the money to keep up with all these developments. Similarly, they do not have nearly as much access to data as their large counterparts. Moreover, whilst we do not question the need for data protection, the GDPR has further reduced SMEs’ capabilities to gather and process data.

CEA-PME likes the idea of Digital Innovation Hubs but it does not become clear in the Strategy how these hubs will be promoted. The European Strategy for Data promises fair access for all companies – especially SMEs – but it does not explain how this will be ensured. Furthermore, the Intellectual Property Action Plan will seek to simplify IP registration procedures and the development of IP for SMEs. This is important, but the real problem lies with the enforceability of Intellectual Property rights for small businesses. Even when IP has been registered and obtained successfully, SMEs are not well protected from large companies abusing their size and their ability to litigate smaller players into bankruptcy. Training will be a very important element in the digital transition. CEA-PME welcomes the idea of Digital Crash Courses for SME employees and urges the Commission to allocate more funding towards creating in-company digital training opportunities.



# CEA-PME Recommendations

## SMEs need a truly revamped Better Regulation Agenda

To truly achieve the ambitions outlined in the EU Strategies, The Commission needs to genuinely revamp its Better Regulation Agenda. CEA-PME and its members were hoping for a much-needed fresh approach to reducing regulatory and administrative burdens. Unfortunately, we have not seen any groundbreaking or game-changing ideas. Many of the burden reduction and market access elements of the SME Strategy are not new, or are renamed versions of old ideas. It is disappointing to see that the Think Small First principle, a term was coined with the Small Business Act in 2008, still is not properly implemented. Rather than thinking about small companies first when legislating, regulations are still drafted with large companies in mind.

One reason for this is that the SME Test is either poorly executed or not executed at all. The Commission claims that the SME test is “already part of the regular assessment and will continue to be applied for all relevant Commission proposals”, but there are only very few examples of a properly executed and fully-fledged SME Test.

The two examples used to illustrate a well-executed SME-test, on the Commission’s own website, date from 2009 and 2012. Annex 5 to the Impact Assessment report on “Electronic identification and trust services for electronic transactions in the internal market” (2012) summarizes all 4 steps of the SME test and provides an overview and evidence that SMEs specific concerns were considered, The Impact Assessment report on the directive on combating late payment in commercial transactions (2009) dedicates an entire annex to the SME test. Most other impact assessments contain very short SME Tests, with no real justification. Furthermore, the Regulatory Scrutiny Board, which is charged with checking the quality of Impact Assessments and evaluations is far too small and lacks strong SME representation.



# CEA-PME Recommendations

Another element in the new SME Strategy is the SME Envoy. Whereas the SME envoy is a positive development at EU level, neither the EU SME Envoy nor the network of national SME envoys are new. The Fit for Future Platform is presented as a new idea. The platform is supposed to provide an SME perspective in identifying existing legislation that is particularly burdensome for SMEs. However, the High-Level Group on the Reduction of Administrative Burdens (a.k.a. the Stoiber Group), which was already established in 2007, was tasked with a similar mandate. One positive development will be the involvement of the EU SME Envoy in the Platform.



CEA-PME agrees that SMEs are often disproportionately affected by cross-border restrictions. We therefore welcome the involvement of the SME Envoy in the Commission's Single Market Enforcement Task Force. The Task Force is part of the Enforcement Action Plan which aims at reducing these restrictions. We do have our reservations as to what extent the Commission will actually be able to enforce this. Member State action in the area will be crucial.

Lastly, CEA-PME has been asking for many years for the one-in, one out rule and has pushed time and time again for a proper implementation of the once only principle. What good is a burden reduction programme if an SME is asked to supply the same information over and over again. If we cannot even coordinate a system at national level whereby a business is asked only once to supply diverse data to a public administration, then how could we possibly coordinate a Single Digital Gateway, or any EU one-stop-shop for that matter.

Going forward, CEA-PME believes it is crucial that representatives of the medium-sized economy in Europe are to be consulted regularly in legislative procedures and negotiations with third parties. And that includes Free Trade Agreements. We look forward to a fruitful collaboration with the European Institutions towards making the SME strategy work for SMEs and entrepreneurs.





CEA-PME

# European Entrepreneurs

"European Entrepreneurs CEA-PME (Confédération Européenne des Associations de Petites et Moyennes Entreprises) is the biggest confederation of voluntarily organised micro-, small and medium-sized enterprises (MSMEs). We are a Brussels-based business federation which currently counts 24 European associations among its members, with more than 2.1 million enterprises, employing over 16 million people. We have demonstrated the possibility of a fast-track transfer of the German Dual System for vocational training to other EU countries with [www.europeandualsystem.eu](http://www.europeandualsystem.eu), launched the MobiliseSME scheme, the Erasmus for SMEs and their employees (<http://www.mobilisesme.eu>), and successfully implemented a tailored support method for the digitalisation of SMEs all over Europe with [www.digitalisesme.eu](http://www.digitalisesme.eu)"

**To know more:**

**[www.cea-pme.com](http://www.cea-pme.com)**

**Contact: [stefan.moritz@cea-pme.com](mailto:stefan.moritz@cea-pme.com)**

**European Entrepreneurs CEA-PME**

Confédération Européenne des Associations de Petites et Moyennes Entreprises

The biggest European Confederation of voluntarily associated Small and Medium-sized companies

[www.cea-pme.com](http://www.cea-pme.com)