



# EURO-info

## THE SME SECTOR: THE 'HIDDEN GIANT' OF THE EUROPEAN ECONOMY

Throughout the European Community, the sector of Small and Medium-sized Enterprises (SME) is experiencing rapid growth, and is characterised by a new spirit of enterprise: some 1.4 million businesses are set up each year, and SMEs, the 'hidden giant' of the European economy, generate seven out of ten private sector jobs. These are some of the first facts to emerge from the **annual report by the European SME Observatory**, which has just been published<sup>1</sup>.

Over 99% of the 15.7 million firms in the private sector (excluding the primary sector) in the European Community are SMEs (0-499 employees). Most of them — over 14.5 million — are micro-businesses (0-9 employees) of which half are single person businesses. The average size of firms varies from four employees in Mediterranean countries to nine employees in certain countries with higher incomes.

SMEs provide 70% of employment in the private sector, excluding primary industries, i.e. 64 million people in 1992; From 1989 to 1992, over 75% of the growth in employment was attributable to SMEs. From 1991 to 1992, only micro-businesses were still net job creators. Some 1.4 million businesses are set up each year, but 10% of them disappear after a few years of existence, due to management shortcomings, marketing or financing. The average age of the 'new entrepreneur' is 35. The proportion of entrepreneurs with no professional qualifications or higher education is falling rapidly, the report's authors claim.

In the short term, the completion of the internal market will probably have a negative effect on many SMEs in manufacturing, say the members of the European SME Observatory, but in the longer term, the Single Market presents a much greater potential for widespread prosperity, which should stimulate the business activities of SMEs. Harmonisation of technical standards in the single market, reduction of delays and 'red tape' for exports, mean savings in time and money for SMEs. However, the members of the Observatory note, certain formalities have merely been transferred from customs offices to the firms themselves: there is a serious risk, therefore, according to the authors of the report, that the potential reduction of costs for SMEs will not completely be achieved in practice. In addition, the opening-up of the single market means higher costs for SMEs to access information and increased competition from newcomers, mainly large companies on their traditional markets, and SMEs risk losing market share. It is SMEs in manufacturing industry and in the distributive trades which are the most likely to be affected.

(continued on page 2)

<sup>1</sup> THE EUROPEAN OBSERVATORY FOR SMES — European network for SME research — First Annual Report 1993 — available in English for 60 ECUs (437 pages) from EIM in the Netherlands.

60/93/EN  
June 1993

- \* EURO-INFO is a newsletter for small businesses and craft trades. It is distributed free of charge to business organisations, associations and groups and to correspondents of the Business Cooperation Centre (BRE) to members of the BC-NET (Business Cooperation Network) and to EURO-INFO CENTRES. EURO-Info appears 10 times per year.
- \* The information contained in this issue may be reproduced. The opinions expressed do not necessarily reflect the official views of the Commission of the European Communities. The facts contained in this newsletter are given for information purposes only and do not legally bind the Commission.
- \* EURO-Info is at your service. Tell us about yourselves.  
For further information or suggestions, contact:  
Directorate General XXIII Enterprise Policy, Trade, Tourism and Cooperatives  
Joachim ROTH, Euro-Info  
Rue de la Loi 200 (ARLN), B — 1049 BRUSSELS  
Tel. 295.63.22 — Fax: 295.21.54

### IN THIS ISSUE

|   | Page |
|---|------|
| ● THE SME SECTOR: THE 'HIDDEN GIANT' OF THE EUROPEAN ECONOMY .....                                      | 1    |
| ● ENTERPRISE POLICY: strengthening and ensuring the continuity of the policy in favour of SMEs .....    | 3    |
| ● PREPARATION OF SMEs FOR THE INTERNAL MARKET: towards the creation of a 'EUROMANAGEMENT' network ..... | 3    |
| ● EURO INFO CENTRES: 4th Annual Conference .....  | 4    |
| ● EURO INFO CENTRES: Liaison Centres in Iceland and Israel .....  | 5    |
| ● INTERPRISE: to encourage partnership arrangements in Europe .....                                     | 5    |
| ● REGIONAL POLICY: 19 million ECUs for the 'RETEX' programme in France .....                            | 6    |
| ● INDUSTRIAL COMPETITIVENESS AND THE ENVIRONMENT: intensifying dialogue with industry .....             | 7    |
| ● TRAINING: the future of Community programmes .....  | 7    |

(cont'd from page 1)

It is only in the longer term that the beneficial effects of the single market should start to be felt: increased competition, full exploitation of economies of scale, more division of labour, and a greater enterprise dynamic should stimulate demand and business activities of SMEs. A certain number of actions at Community level are necessary for SMEs to be able to really grasp the chances and longer-term opportunities offered by the single market. On this point, the authors have made the following main recommendations:

- setting up specific programmes, both at European and national level to help SMEs to overcome the recession and help them derive advantages from the large internal market;
- strengthening of existing information and cooperation networks to help SMEs in the Community: EURO INFO CENTRES, BC-NET, EUROPARTENARIAT;
- strengthening the European Community's financial policy, so as to set up guarantee systems, risk capital funds and to combat the problems of late payment of invoices, which affect the liquidity of SMEs particularly badly during periods of recession.
- setting up a 'Promotion programme for Entrepreneurs' in order to help the jobless to set up their own business and overcome the significant failure rate of small businesses;
- strengthening of national programmes aimed at improving professional qualifications without overlooking continuing vocational training, in order to enable SMEs to benefit from new technologies and follow the evolution of the market.

The European Observatory for SMEs was set up in late 1992, bringing together twelve national organisations specialising in analysis of SMEs. As a network, they pursue various objectives: improving knowledge of the role of SMEs in business, evaluating their prospects for development, particularly in the large internal market. The first annual report drawn up by the European Observatory for SMEs for the European Commission, which has just been published, is the result of independent analysis carried out by the twelve institutes grouped together within the European Network for SME research (ENSR — European Network for SME Research). The activities of the observatory are coordinated by a Dutch institute, the Economisch Instituut voor het Midden- en Kleinbedrijf (EIM).

**For further information, please contact:** E.I.M.  
P.O. BOX 7001  
NL — 2701 AA ZOETERMEER  
Tel.: 31-79-41 36 34  
Fax: 31 79 41 50 24  
  
DG XXIII — Enterprise policy  
Carlos TENREIRO  
Rue de la Loi 200 (ARLN)  
B-1049 BRUSSELS  
Tel.: 295 64 33  
Fax: 296 12 41

## **ENTERPRISE POLICY: strengthening and ensuring the continuity of the policy in favour of SMEs**

At the Industry Council on 4 May 1993, the Member States unanimously decided to merge the two proposals for decisions<sup>2</sup> on Community actions aimed at strengthening and ensuring the continuity of the enterprise policy, particularly for SMEs, in the Community. The first of these is mainly intended to strengthen the priority lines of enterprise policy from 1 January 1993 onward in the context of the 'growth initiative' decided at the Edinburgh Summit in December 1992. It will mainly be a matter of improving the administrative, legal and fiscal environment of companies, facilitating their access to Community information (EURO INFO CENTRES), improving the network for seeking partners (BC-NET and BCC), and setting up direct contacts between entrepreneurs (EUROPARTENARIAT and INTERPRISE), promoting transnational subcontracting, and ensuring that the interests of SMEs are taken into account in the various Community policies and initiatives.

The second proposal from the Commission is intended to ensure the continuity of the other strands of the enterprise policy along the lines of the current programme. It will particularly be a matter of encouraging adaptation of SMEs, including those in craft trades, to the structural changes and changes brought about by the internal market, stimulating a better financial environment, encouraging improvement of observation of the economic environment of businesses in the dynamic of the effective implementation of the internal market as well as evaluating and developing the enterprise policy.

This Community programme, with a budget of 112.2 million ECUs, was due to receive the go-ahead from the Twelve at the Internal Market Council on 14 June. It will come into effect from 1 July 1993.

**For further information:** DG XXIII — Enterprise policy  
Interinstitutional relations  
Jocelyne GAUDIN  
Rue de la Loi 200 (ARLN)  
B-1049 BRUSSELS  
Tel.: 295 0976  
Fax: 295 4120

## **PREPARATION OF SMEs FOR THE INTERNAL MARKET: towards the creation of a 'EUROMANAGEMENT' network**

In order to help SMEs prepare for the changes brought about by the introduction of the Single Market, the Commission has been undertaking an action programme since 1989 called 'Preparing SMEs for the Europe of 1992'. 3,500 managers have participated to date.

On Monday 17th May 1993, Directorate General XXIII 'Enterprise Policy' organised a seminar to evaluate the work accomplished to date and to develop a network of organisations providing information and management advice. Fifty-seven organisations — around half of the partners in the action programme attended this seminar.

In order to gain an impression of the range of the actions and to facilitate the exchange of experiences, 9 organisations from different Member States were selected to present their findings in the following areas: strategic management, quality, normalisation and certification, protection of the environment; innovation and access to research and technological development.

<sup>2</sup> COM(93)180 final

From evaluating the actions held between 1989 and 1992; seminars in strategic management and studies on the sectoral and regional impact, the following conclusions can be deduced. They have helped:

- organisations giving information and advice to management:
  - to familiarise themselves with the impact of the Single Market
  - to take the initiative in organising other seminars not supported by the Commission.
- services of DG XXIII:
  - to identify how SMEs can most effectively benefit from the advantages offered by the Single Market
  - to create a reference centre, a source of information on the actions which have already taken place
  - to lay the foundations of a European network of organisations providing information and management advice.
- SMEs: to improve their knowledge of the opportunities which exist in the Single Market.

However, the participating organisations have unanimously confirmed that the need for training for the majority of SME managers is far from being satisfied. Not all of the SMEs are aware of the fact, but community legislation also applies to businesses that are not exporting, hence they have to adapt.

The weakness of SME managers lies mainly in the area of strategic management. Their daily workload, time constraints and their orientation towards on-the-job training imposes a difficult task for the trainers. They have to make a rigorous selection of useful information from the mass of documents available on the Single Market and to give advice which is adapted to the specific situation of SMEs.

According to the organisations present, the cost of such training on the Single Market is often an obstacle for those who are interested in participating. Hence part of this cost should be covered by the region, State or the Community.

The management organisations welcome the creation of a European network which will permit them to exchange their experiences and to co-operate with adequate partners on specific subjects.

To contribute to the competitiveness of SMEs, the network should encourage its members to inform each other of 'success stories' and proven effective approaches to the training of managers. It should also promote the exchange of information, learning tools and experts, thereby focussing on the specific situations created in the different sectors by Community Single Market legislation. In addition, it should help to develop transnational initiatives by SMEs. Moreover, several participants have suggested holding meetings on specific subjects.

Finally, the speakers asked for the structure of the network to be relatively flexible. DG XXIII is in agreement with this and the chairman of the meeting specified that different alternatives would be examined to consolidate the network while retaining its flexible structure.

**For further information, please contact:** DG XXIII/B/3 — Enterprise policy  
Enrique BUATAS COSTA  
rue de la Loi, 200 (ARLN)  
B-1049 BRUSSELS  
Tel.: 295 1557  
Fax: 295 2154

## **EURO INFO CENTRES: 4th Annual Conference**

The people responsible for the 211 EURO INFO CENTRES from all over the European Community met at Elsinore in Denmark on 3, 4 and 5 June.

This year, the debates at the fourth conference focused on the theme of 'the role of EURO INFO CENTRES in the new dimension of European growth'. At the European Council in Edinburgh in December 1992, SMEs were identified as a potential for growth and job creation in response to the current economic difficulties. This conference enabled the 280 participants to re-examine the way EURO INFO CENTRES (EICs) function, in order to help SMEs to generate more growth and more jobs (European growth initiative). The network of EICs spreads right across the European Community, and was set up in 1987 by the Commission of the European Communities. The mission of EICs is to help SMEs to inform themselves about the single market (taxation, public procurement, research and development, environment, social legislation etc.) and about the opportunities offered to firms, and in return, to offer the European Commission information about their specific requirements. In addition to the 211 Euro Info Centres, 2600 relay points have been set up to ensure better regional dissemination of information to SMEs.

**For further information:** DG XXIII — Enterprise policy — Euro Info Centres  
Diane EYBEN  
Rue Montoyer 70  
B-1040 BRUSSELS  
Tel.: 287 1570  
Fax: 230 0520

## **EURO INFO CENTRES: Liaison Centres in Iceland and Israel**

The instruments at the disposal of the European Community to facilitate access for companies to information about the Community (EURO INFO CENTRES) or to promote cooperation and searches for partners (BCC, BC-NET, EUROPARTENARIAT etc.) have aroused keen interest in non-Member countries. While it is true that these instruments were set up to encourage Community firms, extending them to third countries can only be a factor in promoting all businesses. Taking into account the importance of having effective relay points, the Commission decided to set up 'Liaison Centres' for the EURO INFO CENTRES (EIC).

Each 'Liaison Centre' (only one per country) undertakes to disseminate Community information to firms in the country, but also to gather and distribute to the EIC network, information from that country which would be useful for Community SMEs. Since 1991, Liaison Centres have been set up in Austria, Switzerland, Norway, Finland, the Czech Republic, Poland, Hungary, Bulgaria, Cyprus, Slovenia, Turkey, and more recently in Iceland and Israel.

### **In Iceland:**

EXPORT COUNCIL OF ICELAND — Mr. Andres PETURSON — Lagmuli, 5 — P.O. BOX 8796 — 128 REYKJAVIK — ICELAND — Tel.: 354.1.688777 — Fax: 354.1.689197.

### **In Israel**

ISRAEL EXPORT INSTITUTE — Mr. Rafi GLICK — 29, Hamered Street — TEL AVIV 68125 ISRAEL — Tel.: 972 3 514 2889 — Fax: 972 3 514 2852

### **For further information:** DG XXIII — Relations with Liaison Centres

Harriet ANDRIESSEN  
rue de la Loi, 200 (ARLN)  
B-1049 BRUSSELS  
Tel.: 295 6092  
Fax: 296 1241

## **INTERPRISE: to encourage partnership arrangements in Europe**

The objective of the INTERPRISE programme is to stimulate contacts between small and medium-sized enterprises in the Community. Three regions from each Community country must get together to organise a meeting of firms, in order to set up commercial, technical or financial cooperation etc. A programme between three regions of the Community may be extended to one or more regions from outside the Community.

The projects supported in the context of INTERPRISE must include at least the following phases; identification and selection of firms in the regions concerned, interested in establishing a cooperation agreement with one of the firms from the other participating regions; publication and distribution of a catalogue containing all the cooperation profiles; organisation of an event in the context of which direct contacts are established with participating firms (appointments scheduled in advance; presence of interpreters).

The following events have been adopted for INTERPRISE in September:

### **JURIST EUROPE CONVENTION 1994**

*Meetings:* 1, 2 and 3 September in Manchester (United Kingdom)

*Sectors:* lawyers specialising in European and international law

*Organisers:* MANCHESTER LAW SOCIETY — Rational House — Bridge Street — MANCHESTER M3 3BN — United Kingdom — Tel.: (44)61 831 7337 — Fax: (44)61 839 2631

### **INTERPRISE-FIST 93**

*Meetings:* from 22 to 24 September in Strasbourg (France)

*Countries concerned:* France, Germany, Italy, Switzerland

*Sectors:* subcontracting: conversion of metals, plastics and rubber; electrical and electronic engineering, semi-finished goods

*Organisers:* CHAMBRE DE COMMERCE ET D'INDUSTRIE DE BOURGOGNE — Mr. Denis PLEUX — Mr. Marc SPIEGEL — 68, rue Chevreul — BP 209 — F-21000 DIJON CEDEX — Tel.: (33) 8063 5232 — Fax: (33) 80 63 52 43.

**'INTERPRISE CENTRAL COOP-1'**

*Meetings:* 26, 27 and 28 September 1993 in Magdeburg (Germany)

*Countries concerned:* Germany, Belgium, Sweden, Denmark, United Kingdom, Czech Republic.

*Sectors:* Engineering and electrotechnical engineering; food industry

*Organisers:* EURO INFO CENTRE MAGDEBURG — Heinz Dieter DÖMLAND — Bahnhofstrasse 49A, D-39104 MAGDEBURG — Tel.: (498) 391 561 9161 — Fax: (49) 391 561 9162

**For further information:** DG XXIII — INTERPRISE

Geert Heikens  
rue de la Loi, 200 (ARLN)  
B-1049 BRUSSELS  
Tel.: 295 1285  
Fax: 296 6048

## **REGIONAL POLICY: 19 million ECUs for the 'RETEX' programme in France**

The textile and clothing industry in the European Community is having to deal with fierce competition and a difficult economic climate. That is why, in early 1992, the European Commission launched the Community initiative<sup>3</sup> RETEX<sup>4</sup>. It is intended to encourage economic diversification of regions which are heavily dependent on the textile and clothing industry, with priority being given to the least advanced of these, and adaptation of viable businesses in all industrial sectors in these regions. In other words, RETEX provides aids for all industrial sectors but viable businesses in the textile industry itself are not ruled out.

As the first measure taken as part of RETEX, on 25 May 1993, the European Commission granted 19 million ECUs for a programme in favour of regions which depend on the textile and clothing industries in FRANCE. A first tranche of 4 million ECUs, granted on 25 May, is intended for a pilot project, while the continuation will start from 1 January 1994. This first programme implementing RETEX will place the emphasis particularly on improving the know-how of businesses, in particular SMEs, improvement of vocational training, promotion of research and development in firms by encouraging technology transfers to SMEs, and networking firms to encourage partnerships within the industry.

The programme will apply to 11 French regions, particularly badly affected by the textile crisis: Nord-Pas de Calais, Picardy, Lorraine, Midi-Pyrénées, Rhône-Alpes, Pays de la Loire, Centre, Auvergne, Burgundy, Languedoc Roussillon and Franche-Comté.

RETEX is aimed at regions which are covered by objectives 1 (development has lagged behind), 2 (regions undergoing industrial restructuring) and 5b (rural areas whose economy needs to diversify) of the structural funds, and which are heavily dependent on the textile and clothing industry. The Commission does not draw up the list of regions covered by RETEX. It is up to the Member States to make proposals. After 1993, the action may possibly be extended to certain regions which are not eligible, depending on the plans for the new phase of implementation of the structural funds.

**For further information, please contact:** DG XVI/A2 — Regional policy

rue de la Loi, 200  
B-1049 BRUSSELS  
Fax: 296 2568  
specifying the region your request concerns.

<sup>3</sup> The European Commission can propose on its own initiative that the Member States should apply for contributions for actions which are of particular interest for the Community.

<sup>4</sup> OJEC of the EC C 141 — 4 June 1992

## **SMEs IN THE TEXTILE INDUSTRY**

According to a study published by EUROSTAT(\*), the Statistical Office of the European Communities, the difficult economic situation in the textile industry during the period 1980-1989 translated into a redeployment of the industrial fabric into small companies. In the countries examined, it was observed that this form of organisation generated better economic performance than large-scale units.

According to this study, 60% of the staff in the textile industry are to be found in SMEs, and they generate 62% of the total turnover of the Community textile industry.

## **REPORT 1991/1992 ON THE TEXTILE AND CLOTHING INDUSTRY**

The situation of the textile and clothing industry in the EC continues to deteriorate, with a fall in production, a drop in investment, a collapse of sales and reductions in employment. This is shown by the initial results of studies carried out by the European Textile and Clothing Observatory. The Observatory's report contains other detailed factual information on demand for textile products and the competitiveness of the textile and clothing industries. For further information: European Textile and Clothing Observatory — rue Belliard 197 — Bte 9 — B-1040 BRUXELLES — Tel.: 230 3282 — Fax: 230 4334.

(\*) EUROSTAT — Quick statistics — Energy and industry — 1993/13 — SMEs in the textile industry (NACE 43) — For further information: EUROSTAT — L-2920 Luxembourg — Tom LEEMANS — Tel.: 4301 32290 Fax: 4301 34771.

## **INDUSTRIAL COMPETITIVENESS AND THE ENVIRONMENT: intensifying dialogue with industry**

On 4 May in Brussels, the ministers of the Twelve in charge of industry adopted conclusions in which they invited the European Commission to intensify dialogue with industry on the theme of industrial competitiveness and protection of the environment. The objective would be to help the Commission and the Member States to identify ways of reconciling these two objectives. This dialogue should not only involve large industries and environmental protection associations, but also small and medium-sized enterprises (SMEs). Serious examination will be needed of the difficulties which SMEs could face in meeting environmental protection requirements. Impact analyses are necessary at this level, to avoid adopting legislation which will be virtually impossible for SMEs to apply. The Twelve also judged that information and advice programmes were needed so that firms could be kept informed of developments, and that they would be able to prepare themselves to take up the challenge, both from the economic and ecological viewpoint.

## **TRAINING: the future of Community programmes**

Thanks to the ERASMUS programme, this year over 70 000 European students were able to spend part of their courses in another Community country. Each year, PETRA enables 9 000 young people to learn their job in a European way, by means of trips or exchanges funded by the European Community. There are six main Community programmes aimed at making higher education and basic and continuing vocational training more European. These programmes will almost all come to an end in late 1994. To follow on from them, the European Commission suggested two large programmes at the beginning of May: one is devoted to education and higher education, the other deals with training and professional qualifications<sup>5</sup>.

The programme dealing with education would follow on from the activities of the programmes ERASMUS, COMETT and LINGUA. Exchanges of students and lecturers would become much more frequent, as would recognition agreements for diplomas and periods of study between the Twelve which contribute directly to the creation of a genuine single market for professions. The programme devoted to vocational training and qualifications will follow on from the FORCE, PETRA and EUROTECNET programmes, and would deal with both basic and continuing training. This programme would enable:

<sup>5</sup> COM(93) 183 final — Commission working document — guidelines for Community action in the field of education and training.

- setting up of networks of training centres at national, regional and sectoral level. These bodies would serve as a basis for the transfer of technological innovations and learning methods, particularly for SMEs, or to encourage mobility and exchanges between young workers and young people in training;
- aid for innovation in the field of training (particularly for distance learning) through projects involving partners from several Member States;
- development of a system for monitoring of changes in supply and demand for training and qualifications. The Commission is proposing to hold a European Forum every year about vocational training, and to publish a regular European report on vocational training.

## FOR YOUR INFORMATION

### PORTRAIT OF REGIONS

The Statistical Office of the European Communities in Luxembourg, EUROSTAT, has just published the first volume of a 'PORTRAIT OF REGIONS'. The publication is intended to facilitate comparisons between 70 regions in Germany, the Benelux countries and Denmark. During this year, Volumes 2 and 3 will cover France, United Kingdom and Ireland (Volume 2), and Portugal, Spain, Italy and Greece (Volume 3).

The objective of this Portrait of Regions is to enable each region to discover the socio-economic situation of its partners within the Community. The regions of Europe are presented one at a time, with an identical layout, via maps, graphics, statistical tables, and commentaries on the territory, strengths and weaknesses of the region, population structure and trends, the labour market, the economic fabric and the environment.

Each volume will be available in English, German (Portrait der Regionen) and French (Portrait des Régions).

Price in Luxembourg, excluding VAT:

per volume: ECU 100

per boxed set: ECU 250.

Office of Official Publications of the European Communities — L-2985 Luxembourg.

Distributed by: