

Workshop 10: SMEs in times of crisis: red tape or red carpet?

Teresa Küchler, EU Reporter.

More than 200,000 small and medium sized companies (SMEs) in Europe, mostly suppliers of goods to bigger companies, are facing financial disaster this year; a dismal forecast from the European Commission reveals.

“When the crisis was starting to impact the real economy, there were no signs that SMEs would be hit. To start with, the big companies were hit,” Françoise Le Bail, Deputy Director General for the European Commission’s DG Enterprise, said at a debate on how to make life for SMEs easier. SMEs are companies with no more than 250 employees, and account for 99 per cent of EU businesses.

“Unfortunately these things don’t last. SMEs are also hit by the crisis, above all in terms of liquidity: if big companies do not do well, they do not pay their suppliers, or place new orders with them,” Le Bail said.

Also, banks are tightening the lending conditions to SMEs, she added.

The Commission has proposed a series of measures to help SMEs through the crisis, such as the “Small Business Act”, which unites existing legislation around, among other things, how to make it easier to found and run a company, how to deal with late payments from purchasers, and leveling of VAT rules.

In the future, legislative proposals should also be submitted to a “SME test”, examining the consequence of the bill on SMEs, such as extra administrative burden or costs, Françoise Le Bail said.

Arndt G. Kirchhoff, CEO of Kirchhoff Automotive, company which supplies car parts to large automobile firms in both the US and Europe, welcomed the Small Business Act, but urged the Commission to speed up and closely survey the implementation of it.

“The SMEs must also be placed in the context of the Lisbon strategy Kirchhoff said.

Finally, the car part manufacturer wished for a European Patent System, in order to strengthen innovation. Since the 1970s, there have been plans for an EU community-wide patent system, but the deal has failed to come through mainly because countries were unable to agree on a language regime.

Owner of Bulgarian corporate communication bureau Marketor Ltd, and future political hopeful, Valia Chilova, talked about the extreme vulnerability of SMEs as markets experience unexpected, sudden changes.

“Late last year we were told in Bulgaria that there would be now economic crisis in our country, that our financial system is stable... But this year started with a big gas crisis!”

“Big industry did not have natural gas to survive for more than 5 days,” the communication expert explained. She said SMEs need to have access to risk capital in times of crisis.

On the issue of red tape for SMEs, Luuc Borg, head of the joint EU-EUREKA Eurostars Programme for R&D-performing SMEs, said the crisis should not be the sole reason for fighting bureaucracy- or “bureaucratism” as the Dutch national rather expresses it. He defines the first as necessary to handle tax-payers money, the second as unnecessary hurdles for companies.

Borg also said business must be transparent, in order for companies to know when to take important business decisions, and for government to know where put their money.

Godert van Hardenbroek , CEO of Formula Zero, a company that strives to come up with a new zero-emission race class for hydrogen and fuel cells vehicles, talked about the “top-down” system for inventions, and how to use it for green purposes.

Groundbreaking inventions in the car industry, such as the turbo engine or the EPS, have always been created for the top level vehicles- the motor sport. It is only later that such inventions made it into mass market vehicles, van Hardenbroek explained, hoping that the car industry would eventually move to mass production of fuel cell vehicles.