

## Transkript der Audiodatei

### "The Role of SMEs in the current transformation process"

#### Moderator

Hello everyone. I'm Susanne Schleppest, researcher at Institute for Mittelstandsforschung in Bonn. Today we talk about the role of SMEs in the current transformation process. The European Union set the target for 2030 of 55 % net reduction in greenhouse gas emissions compared to 1990 levels. The European Commission has therefore initiated the Green Deal strategy, which aims to transition the EU to a fair and prosperous society with a modern, resource, efficient, competitive, and sustainable economy. Even though companies are generally willing to operate in a more sustainable manner, the Green transformation is a challenge. So, what obstacles do they actually encounter? How can policy support SMEs and implementation? What should companies and policymakers pay attention to in this process? Renowned researchers from across Europe discussed these issues and presented their research studies at the International Roundtable on SMEs. Professor Welter as the president of Institute für Mittelstandsforschung in Bonn and Professor at the University of Siegen, you regularly examine how challenges attack companies, including those of the Green deal. Can you tell us why the diversity of SMEs play an important role in transformation processes?

#### Prof. Dr Friederike Welter

Every entrepreneurial activity contributes in its own way to stabilize the economy. Every entrepreneurial activity has a societal component which is equally as important, and maybe in nowadays times, more important than the sole economic component. And that is something which is always very difficult, of course, for economic policies to figure out how to support the societal component at the same time. And we have a value-oriented approach of most small business owners towards how they actually want to drive the transformation not on the back of their employees or on the back of the regions where they are situated, but with

employees and with the regions they are. So, what I want to highlight, and just say again, those who know me know that I've said that before, the diversity of SMEs matters. And when we talk transformation, we actually need to make sure that this diversity is somehow kept up as well. The loss of diversity will have negative effects on societies and economies, on resilience, enterprise resilience, economic resilience, and of course, on future competitiveness, not only of Germany's but of most SME-driven economies in the world.

### **Moderator**

Dr Kaufmann is Head of Division for Entrepreneurship, SME and Tourism at OCD Center for Entrepreneurship SMEs regions and cities in Paris. In the OECD's view, how important are SMEs for the success of the transformation process?

### **Dr Céline Kaufmann**

When it comes to the greening of SMEs, what we can see from the OECD is that the policy case has been strengthening year after year. Initially, the perception was that bigger companies should have been the focus on policies because they were the bigger emitters in a way. But now, given the number of small businesses, we all know the numbers 98, 99 % of the business population across OECD countries, 60 % of value added. It means that even if their individual footprint can be considered as negligible, their collective aggregated footprint cannot be ignored. And it's between 50 and 70% of business greenhouse gas emissions, around 50, 30, and 50 % of energy consumption. So, in aggregate, it does count. So, the policy case is quite irrelevant and has been strengthening, and we see now more and more in particular in the EU, a refocus on some of these policies. Having said that, smaller companies still lag behind bigger companies in terms of what they are doing, and they face a number of constraints. And this is what you see on that graph, which is from the European Commission. In particular, smaller companies flagged a lack of financial resources as the major issue for them to turn greener, let's say, or to adopt greener practices.

### **Moderator**

Let's have a look at the Netherlands. We welcome Professor Stam from Utrecht University, who analysed the entrepreneurial ecosystems during COVID-19. What

did you find out? How does crisis matter to SMEs? Do they accelerate transformation processes?

**Prof. Dr Erik Stam**

Well, I think the first lesson is there's sort of a generic entrepreneurial ecosystem policy is a no-regret policy. So, improving decentralized multilevel improvements of entrepreneurial ecosystems that are subnational in the city region is sort of a no-regret policy. And that is also a policy that is already going on in certain countries, but that is also good for having a good reaction or adaptiveness in times of crisis. So, enabling new combinations at a regional level is a no-regret policy. Second, never waste a good crisis, but I think you can use new reoriented demand either in the COVID pandemic for online shopping or in the energy crisis. Now renewable energy is something you can use as a force for good to have new entrants and transformation of SMEs in itself. So that is not a government policy, but that is something you might accelerate. And that might also be an argument not to give lump sum consumer consumption, but to think about also for example, via public procurement, how you can use a crisis to accelerate demand for goods and technologies that we already wanted to be diffused more often before a crisis, the Covid-19 crisis, the energy crisis. So that's I think the second lesson, the third lesson, and I think that is somewhat more difficult, we see also new inequalities. If we don't intervene, we see new inequalities. So, we see inner cities with declining onsite retail shops. So, what does the rise of online business and digital transformation mean for the inner city? So, the retail, the brick-and-mortar firms, so to say, which are already declining in most European countries. So how can we sort of be accountable for this? And also, if chance favours the prepared mind, it will mean that the regions that are already well developed from an entrepreneur ecosystem perspective, so Munich, Berlin, Hamburg and Germany, are likely to have an even bigger lead to the regions that have relatively low-quality ecosystems. So that is also perhaps a policy implication or discussion that we should also have means to improve the entrepreneurial ecosystems of each and every region and especially also the lower quality regions. So these are the three lessons that I think we can discuss later on. So yes, alternate ecosystem development is a no-regret policy. Second, use demand to accelerate transformations and third, also have a keen eye on the inequalities that are also caused by these unequal responses to the crisis.

**Moderator**

What about the crisis efficacy in Australia? Professor Steffens, what did you discover in your research?

**Prof. Dr Paul Steffens**

So, we showed that this construct crisis self-efficacy matters. So, it's not actual, we're not talking about concrete abilities here or anything. It's a belief in the firm's skills, knowledge, and experience to deal with the crisis. And we found that it both shapes the entrepreneurial response and is also shaped by the recent impact of the crisis. So importantly, so it's no surprise that the way that a firm is impacted by the crisis matters in how they respond. The important thing is it's also important as to whether the top manager believes they are able to respond. And the important thing here is that this is something that could potentially be manipulated or influenced through various kinds of programs. So, if I just go back to the model, traditionally, the policies have dealt directly with the crisis impact. So, either throwing money at the firms to alleviate the impact that they've had or developing programs to assist them in their abilities to do so. So that's the actual crisis impact on the left. But importantly, we also show that their belief in their ability to deal with things and to be proactive is equally important.

And obviously, you could think of some managerial type of programs that can influence that crisis self-efficacy. So yes, I guess I'll leave you with that is that those kinds of thinking of other measures where we deal with the perceptions of the managers and not just their actual abilities could be helpful in driving entrepreneurial responses.

**Moderator**

Is it an advantage when businesses are well-advanced in digitalization? What are your research results on SMEs in the UK, Professor Kesidou?

**Prof. Dr Effie Kesidou**

This empirical evidence shows that small emission requests in the UK, which are digitally more advanced, are also more likely to be advanced net zero adopters why this is happening. So, it is important for future work and the roundtable

policymakers, but also I think managers of these smaller and medium enterprises to understand the underlying mechanisms. Based on the literature we have been reading, we don't have evidence on that, but we think that this could be due to learning mechanisms. We call that learning by adopting digital. So, this refers to the increased ability of firms to recognize the value of new technologies and new practices. So, in other words, these firms have increased absorptive capacity. And what we argue is that this is not only limited to the digital domain, so digital firms are not only able to recognize the value of digital innovations but also can be extended to other domains such as net zero. So, as I said, more work needs to be done to understand these underlying mechanisms that explain that phenomenon, for which we provided evidence. Also, and I would like to conclude with this, we think that this study can have important policy implications.

And why is this? This is because small and bigger enterprises, due to scarce resources, would need support that facilitates digital transformation. However, that support could be also beneficial for achieving net zero. So, this is another work that we are trying to pursue with the second round of the survey to understand the synergies further between net zero and digital and why these are arising.

### **Moderator**

Mr. Wieser, what should a transformative SME policy look like?

### **Harald Wieser**

We do have a couple of sorts of postulates where we think SME policy would need to go in the future to be more effective in the climate domain. So, one thing is the directionality. It's well established in innovation policy that it needs some kind of directionality. And as I said before, it would be important to go beyond energy efficiency in this regard. A second postulate is that transformative SME policy is broad-based, so it really tries to address the entire SME population, not just the most exciting eco innovators. Third, it is transformative, as the title says. So, it tries to address deep changes that go beyond incremental steps. I think this can very much relate to the discussions we had before on Crisis and finally the topic of alignment. Like Mrs Kaufman said at the very beginning, issues of governance and coordination are really critical. So there needs to be some sort of alignment between SME policy and kindness policies.

**Moderator**

Thank you all for your interesting contributions. We look forward to hearing more about your research, finding on SMEs and entrepreneurship and future podcasts of IfM Bonn. If you're interested in further research of the Institute für Mittelstandsforschung Bonn, please visit our website, [www.ifmbonn.org](http://www.ifmbonn.org).