



European  
Commission



# Unleashing the full potential of European SMEs

March 2020

#EUIndustrialStrategy

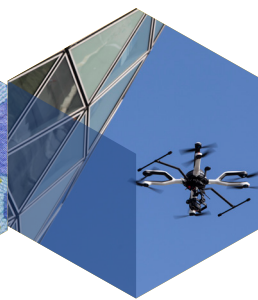
Small and medium-sized enterprises (SMEs) are deeply woven into the fabric of Europe. They are essential to Europe's competitiveness and prosperity, as well as economic and technological sovereignty. With the **SMEs Strategy for a sustainable and digital Europe**, the Commission wants to support and empower SMEs of all sizes and sectors, from innovative tech start-ups to traditional crafts.

**25**  
million  
SMEs in  
Europe



**2 out of 3 jobs**  
in SMEs

**50%**  
of Europe's  
GDP

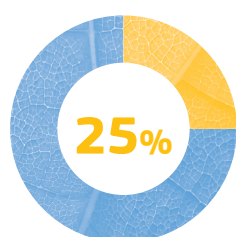


**50%**  
of all SMEs  
undertake  
innovation  
activities

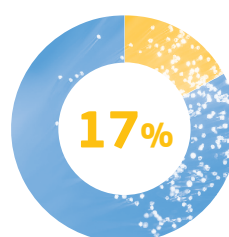
## The EU will support SMEs in 3 key areas:

1

### The sustainable and digital transitions



of EU SMEs  
work on green  
products or  
services



of SMEs have successfully  
integrated digital  
technologies, compared to  
54% of large companies







## Based on the new SME Strategy:

-  **Sustainability Advisors** will be appointed within the existing Enterprise Europe Network to help SMEs with environmental and social challenges and improve access to skills.
-  Up to 240 **Digital Innovation Hubs** will advise SMEs on how to integrate digital innovations into their products, business models and processes.
-  The new European Innovation Council (EIC) will make available €300 million as of next year to encourage **breakthrough innovations** delivering Green Deal objectives.







## 2 Doing business freely in the Single Market and beyond, notably by cutting red tape

SMEs need improved access to markets. The SME strategy will reduce barriers within the Single Market and open up access to finance to cover the investment needed for the ecological and digital transition.

| Challenges   | Actions   |
|--|---|
|  While 80% of exporting SMEs sell their products and services on the Single Market, certain sectors like services face more obstacles. And only 600,000 SMEs export goods outside of the EU |  Partnerships among border regions to encourage them to jointly improve, align or coordinate the rules and procedures on cross-border provision of services, for example, on posting of workers and using digital tools. And an extended Erasmus for Young Entrepreneurs Global Scheme to support internationalisation |
|  Only 40% of businesses in the EU are paid on time. This is the cause of 1/4 of SME bankruptcies  |  Support Member States in implementing the <b>Late Payment Directive</b> , by setting up monitoring and enforcement tools  |
|  78% of SMEs cite complex administrative procedures as the biggest obstacle to operating in the Single Market   |  Develop an <b>EU Start-up Nations Standard</b> with Member States to accelerate growth of high tech SMEs and start-ups in the Single Market   |

## 3 Better access to finance

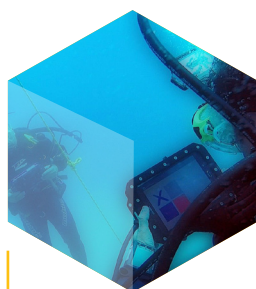
| Hurdles to accessing finance  | Actions   |
|---|---|
|  Only 10% of European SMEs' external financing is from capital markets   |  Creating an <b>SME Initial Public Offering (IPO) Fund</b> with investments channelled through a new private-public fund set up under the InvestEU programme and launching a gender-smart finance initiative to stimulate funding for female-led companies and funds |
|  Only 11% of businesses in Europe consider equity as a viable financing option while only 1% have used it<br><br>Venture capital investments in Europe are many times smaller than in the US, with three times fewer scale-ups |  Create the ESCALAR initiative, a mechanism to <b>boost the size of venture capital funds</b> and attract more private investment, to help high-potential enterprises to grow  |

## SMEs at the heart of Europe's competitive transformation

A high-level **EU SME Envoy** will filter EU initiatives, in collaboration with SME stakeholders, to signal to the Commission those that merit close attention from an SME perspective. The SME Envoy will also provide an SME perspective in the "**Fit for Future Platform**"

## Who will benefit?

### Stories of European SMEs...



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#### Digitalisation

A technology firm - W-SENSE has pioneered the underwater Internet of Things, allowing secure communication between underwater sensors and submarines, divers and unmanned vehicles, thus resulting in the better monitoring of marine environments. The European Enterprise Network advised the SME on accessing finance and provided support on its business pitch. New investment has allowed W-SENSE to double in size to 23 people, located in 3 European countries.

#### Gender-smart financing

Genomic Expression is a company that uses RNA sequencing to find the most suitable treatment for cancer patients. Co-founder Gitte Pederson received European Innovation Council funding and attended the 'Women Innovators EIC Investor Day'. She spoke about how difficult it had been for her to pitch to all-male investor panels. For Gitte and her company, increasing the number of women investors would mean not only improving her chances of obtaining finance, but make it easier to connect with other women and help each other.



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