

Position Paper

UEAPME¹ position on the Start-up Initiative.

Executive summary

When we have a genuine Single Market for SMEs we have a market for Start-ups and growth as well. One cannot and should not separate these two sides of the same coin. Financing start-ups and growth is a bottle neck which calls for improvement. The regulatory environment has a significant impact on business start-ups, so smart regulation agenda is relevant here, too.

Governments' general and entrepreneurship politics and policies influence this regime – it is important that policy makers see the need for a global SME -policy at local, regional, national and EU-level.

Education and entrepreneurship training (dual-learning) are of utmost importance. Finally UEAPME stresses the importance of information and accompaniment of start-ups by the representative SME organisations.

Introduction

On 31st March 2016 the European Commission has launched a public consultation under the Star-up Initiative. The objective of this public consultation is, according to the Commission, "to seek direct feedback from all relevant stakeholders, including entrepreneurs and start-up communities, with the aim of improving the environment for start-ups in Europe."

The information gathered from this consultation will help in identifying possible solutions and designing new policy and/or support measures at both EU and Member State level to address start-ups' needs throughout their life cycle. The goal is to create serial entrepreneurs who will try again when they fail, reinvest when they succeed, and support a healthy entrepreneurial ecosystem throughout."

UEAPME welcomes of course the initiative of the Commission on start-ups but reminds that the main problems and solutions on start-ups and entrepreneurship are already known and agreed on at the European level. Just to mention a few: the BEST project (1998), the European Charter for Small Enterprises (2000), the Green Paper on Entrepreneurship (2003), the Commission's Modern SME Policy", (2005) the European Small Business Act (2008), the Entrepreneurship 2020 Action Plan (2013). UEAPME and its member organisations have contributed to and commented on all these policy documents (see: <http://www.ueapme.com/spip.php?rubrique45>).

UEAPME once again regrets the use of a questionnaire for consulting the business community. The questionnaire is extremely detailed, long (150 questions) and covers numerous topics. Many of them depend on the concrete situation of the enterprise (size of the firm, sector, in which country they operate, in which country they want to export to/grow).

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://register.ec.europa.eu/entry/55820581197-35).

We do not think this is the best way of assessing what policy changes are needed in order to boost start-ups or scaling up small companies. Apparently the Commission want to reach individual enterprises but does not realise the time constraints in general on SMEs and as such it is in the eyes of the SME owner, yet another questionnaire which adds to the paper work, which already needs to be filled in.

Start-ups

The survey (what it is in fact and not a consultation) seems ambiguous as to whether the consultation is aimed at start-up businesses, or specifically start-up companies. The survey is couched too much in language predicated entirely upon an incorporated business; however, it is by no means compulsory for businesses to incorporate, and in many situations there is no legal need to do so while the economic and administrative costs would mitigate against such a path.

Understanding the context of the discussion is key to responding to the concerns, as in many cases the business form chosen will depend upon the aims and intentions of the founders, and in turn impact upon the requirements of the legal framework which exists to support entrepreneurs. Understanding what the most appropriate form is for any given business is an important aspect of educating entrepreneurs. Reducing the administrative hurdles to incorporation is not a particular benefit if the business itself would operate more effectively in either the short or long term in some other format.

The need for a uniform process of company creation across Europe is perhaps less important in the long run than having uniform rules on capital protection, limitation of liability, creditor relationships etc. Cross-border developments will typically be relevant at the “scale-up” and “exit” phase more than at start-up, at which point the commercial considerations of what the company is able to do are more important than the process of how they are done. The legal form should enable economic growth, which will be better served by removing from decision makers list of concerns worries about the limits of legal capacity. This is of course relevant at the start-up phase because it makes more sense to have available legal forms which will remain appropriate and effective for as long as possible and across as many scenarios as possible.

It makes no sense to offer a safe harbour to avoid barriers for start-ups instead of trying to remove the barriers for all enterprises. The companies would have to compete in the same market under different rules which means greater legal uncertainty for companies already installed in the market. A safe harbour only benefits the creation of cross-border firms in countries where origin regulation is more lax or fiscally more favourable.

Policies have to bear in mind the realities of start-ups. They are not all the same. They have very disparate needs and there is no one solution.

We should try to remove the barriers not only for **start-ups** but for all enterprises. Indeed what all our SMEs need is an enabling environment.

This means a consequent application of the “Think Small First” principle: legislation has to be adapted to the characteristics of SMEs. The “only once” principle has to be applied whenever possible as well as the proportionality (risk based) principle. Legislation should be introduced only when it is really necessary. However, this is not necessarily a question of less regulation but of better regulation.

Slow administrative procedures are barriers for entrepreneurs and hinder start-ups. This is often the case for the delivery of permits with negative effects on the continuity and competitiveness of SMEs. While respecting the legitimate interests of all parties involved, and based on the principles already agreed in the Services Directive, it should be ensured that permits are delivered in a reasonable timeframe. A solution could be that no response within the set timeframe should be considered as tacit approval.

In addition in our view two crucial topics for start-ups are access to information and access to finance. Provide better information for start-ups/SMEs in a more accessible way through the SME organisations should be one of the main objectives of any (new) policy.

The EU-institutions provide extensive online-information on the internal market. However, the way it is presented is often rather confusing. It is difficult, especially for new entrepreneurs, to find and understand the relevant information. The representative SME organisations should be used by the Commission to spread the information as they are close to the entrepreneurs.

Points of single contact (PSC) are also an essential element of the Services Directive. A PSC is an official body that centrally provides information for businesses on all important aspects of the Services Directive. Several aspects that are closely related to the provision of services are not covered by the directive (e.g. posting of workers, tax issues, social security provisions, professional qualifications). These aspects should nevertheless be included in the information service of the PSC in order to provide one-stop-shops with real added value. Furthermore, it would be important to provide the information at least in English in addition to the national language.

Given the fact that the majority of start-ups do not intend to go cross-border automatically during the first years after setting up (they rather concentrate on local or regional markets), they should get special treatment in the domain that is the most critical for them, say the financing of their initial investments (f.ex. during the first 3 years after establishment).

Here the EU could define a **special framework** for example in the context of the General block exemption Regulation (GBER) (COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty) under the SME measure for start-ups.

In addition start-ups need a broad range of financing opportunities. Alternative ways of financing that can also contribute to innovation and thus foster a company's competitiveness, need to be expanded.

Most of the suggested measures are important. In order to nevertheless differentiate between the different options, we valued measures, which aim at networks, mentoring, support and service as most important.

For start-ups and SMEs in general it is of utmost importance to have easy accessible support and advise services. Therefor the existing governance structures, which supports start-ups in majority if the EU countries, is at the local and regional level. A European approach should therefore be always complementary with already existing structures in the member states and should not duplicate services.

In addition to the ideas mentioned, media has a very important role to play in presenting entrepreneurship as an attractive path for young Europeans. It creates positive attitudes around entrepreneurship and helps more people consider whether they can make a business idea work².

Scale-ups

It's always important to avoid aggregation when discussing SMEs and therefore having a Europe wide definition of scale up would benefit the design of policies and their implementation. The reliance on intangible assets needs to be factored into the definition as it's one of the crucial areas where entrepreneurs need support when it comes

² Research commission by the UK Department for Business, Innovation and Skills, '[Impact of Media on Entrepreneurial Intentions and Actions](#)' found that: - Around half the sample of non-entrepreneurs thought more positively about entrepreneurs in general (58 per cent) and were made more aware of a career as an entrepreneur (51 per cent) through the media. - Almost two-thirds (63 per cent) of all non-entrepreneurs had come across the use of the word 'entrepreneur' or 'entrepreneurship' in recent months. -Of those saying yes, just over half (54 per cent) reported that television was where they came across the terms most often. -Almost half (45 per cent) of non-entrepreneurs also said they had watched television programmes in the last 12 months which showed how to start or run a business. -The research also found an educational role being played by media portrayals, with two-fifths (40 per cent) saying programmes had shown them the practical steps to start a new business.

to managing, growing and valuing their business.

But as there is no definition yet it makes the whole discussion and consultation already very vague and not to the point.

We know that the main concern of the Commission is how to allow – especially high-tech - start-ups to growth and to keep them in Europe. Internal market barriers and lack of appropriate finance are barriers to growth fast enough and make it for these companies more attractive to go to other parts of the world.

UEAPME and its organisations are of course in favour of all initiatives that would allow enterprises to scale up. But it should remain a point of attention, not a one-sided policy. In enterprise policy we need a balanced approach. Scale ups are and will always be a small percentage of the total enterprise population (also in turn-over, employment...). The Commission should not neglect the “certitudes” of our economy, the majority of SMEs. Indeed recognition is needed for the “small giants”: small enterprises which are not visible, but who want to guarantee the quality of their products and their services. They cannot guarantee the quality of their products or their services if they become too big. This is the economic reality. Most of the owner-managers perceive some “ideal size” for their enterprise. This often means that they wish to grow but that this growth is limited by concerns about maintaining control of day to day operations and step-in costs from expansion of the enterprise. For example, owner-managers may wish to avoid delegating responsibility to others, which might be the result of growth. It is as having a “portfolio of shares”: if you put all your money in the shares of one company/sector, probably you will lose everything. You have to invest smartly, spreading the risk.

UEAPME strongly supports the opportunities and incentives either to establish businesses or boost self-employment. However it should be clear that not everyone has the capacity to become a successful entrepreneur. It requires much more than financial support. Adequate experience and management competence are strong requisites for increasing chances to survive on the market. Professional organisations should play a more prominent role by training, advising, mentoring, coaching new entrepreneurs and self-employed not only at a very early stage but during the first five years of activity.

Public authorities and especially the European Commission gave and give almost exclusive focus on “start-ups” and “growth enterprises” (which are now called “scale-ups”). In UEAPME’s view, attention has to be given to “traditional” SMEs as well, as 70% of SMEs would like to stay in their current situation. It is obvious that it is important to take scale-ups into account, but this should not be done to the detriment of traditional SMEs and family businesses. UEAPME reiterates therefore the importance of measures that allow and facilitate the continuity of the enterprises.

With the knowledge that the self-employed do contribute tremendously to job creation and growth, it is important to recognize that the creation of employment is not necessarily the main aim of the owner-managers. In fact the objectives and aims of the owner-managers are multiple. The aims of the owner-manager are closely related to their personal and business goals. Employment creation may occur, but as a by-product of the owner-manager pursuing those goals.

On the often used argument that scale-ups have a “higher productivity” we would like to mention that this means that there is a preference (for example in the retail), for forms with the highest “productivity”, or otherwise said, with the highest turnover per employee, thus for the largest international retailers. Apart from the factor economy of scale, which is determining for the “efficiency” and “productivity”, it may be clear that retail formulas which offer more service, will not be the most productive ones.

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