

# What do SMEs need to become sustainable and resilient, in the context of COVID-19, and other global challenges?

## How can EU policy best aid entrepreneurs?

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SMEs are of a great importance in the European landscape, accounting for over 99% of European businesses and representing a wide variety of sectors such as hospitality, tourism, travel, retail, IT, food service and manufacturing. COVID-19 has highlighted the weaknesses of many SMEs, with over 90% of SMEs reporting a decrease in turnover since the beginning of the pandemic (SME United, 2020). Whilst in recent years, emphasis has been placed on the sustainability of SMEs in an increasingly globalised world, the current pandemic has shifted the emphasis to concentrate on the resilience of SMEs. Broadly speaking, resilience refers to the ability to manage adversity, which in the context of SMEs, refers to the ability of an organisation to avoid, absorb, respond to and recover from situations that have the potential to threaten their existence. In the current climate, this includes increased global competitiveness from globalisation, technological advancements, shifting consumer demands and environmental or ecological disasters, such as COVID.

Whilst resilience and sustainability are the new buzzwords on the block when discussing SMEs and enterprise in Europe, the interconnectivity between the two concepts is scarcely explored. In order to be resilient, an organisation must be able to withstand adversity and change, whilst to be sustainable, an organisation must be able to meet the needs of the present without compromising the future. When discussing these terms, we often think in terms of how an organisation's internal environment operates, such as its ability to withstand structural change or financial hardship – which makes connecting the two terms difficult. To be resilient is to be preparing and managing for every hardship – making decisions quickly, therefore focusing on flexibility as a core element of strategy. To be sustainable means devising strategy based on longevity of the brand, thus, investing in sustainability in the long-term can hinder flexibility of response to challenge in the short term.

From the start-up stage, sustainability is seen as an afterthought for many SMEs, with the focus being on profits, revenue and business growth. This is because sustainability is seen as a long-term investment that often lacks short term returns, meaning for an emerging entrepreneur, investing in sustainable is less attractive. Further to this, many traditional entrepreneurship education programs, such as MBAs, business degrees or extra-curricular training programs, tend to leave sustainability off the agenda, or leave it as an elective or afterthought. This lack of emphasis at the start-up, or grassroots stage, means many

entrepreneurs do not begin their entrepreneurial journey with an understanding of the value of sustainability for long-term strategy, and therefore, tend to neglect it within their SME.

The current motto of the COVID recovery is to 'build back better', by placing sustainability and the environment at the forefront of our social and economic recovery. For a more resilient Europe, building back better looks incentivising the private sector and SMEs that operate within it to prioritise the SDGs in their work, whether this be through auditing their supply chain to ensure decent employment for all, or assessing their environmental impact to ensure clean water and land. Currently, there is a disconnect between the SDGs and businesses, with the SDGs being seen as something for governments and councils to prioritise. However, as COVID has demonstrated to us, private sector interventions (such as firms shifting production to produce PPE to cover the shortage, and further expanding to produce environmentally friendly PPE) can have just as much of a positive impact, if not more so, than government intervention.

Whilst many more experienced SMEs may be set in their ways in how their sector, industry and organisation work, the COVID pandemic will see many young entrepreneurs emerging due to a lack of employment opportunities. In the past five years, EU policy has concentrated heavily on youth entrepreneurship, both as a mechanism for diversifying and advancing economic activity and as a solution for youth unemployment. In the previous youth strategy (2010-2019), enterprise and employment were two of the eight targeted youth strategies, and fostering youth entrepreneurship is highlighted as one of the objectives of the Europe 2020 strategy, as well as its Youth on the Move flagship initiative. In order to build back better, existing EU policy needs to target this emerging group by advancing the scale and scope of existing enterprise education, both in further and higher education institutions and in external organisations, such as NGOs and informal training groups, and increasing access to this training through investment and innovation within the field.

To centre sustainability (and thus, resilience) at the forefront of entrepreneurship education, EU policy needs to outline a framework of a sustainable entrepreneurship program, that not only focuses on profitability and growth as core targets of the business, but alignment and achievement with the SDGs. Training aspirational entrepreneurs on the values of the SDGs and the impact these goals can have on a businesses value, due to shifting consumption demands for more ethical businesses, as well as the value in being an ethical and sustainable business, will have a longer lasting impact on the long-term resilience of SMEs in Europe than any financial intervention or incentive proposed. This includes working with successful social enterprises across Europe to create a toolkit for enterprise educators,

connecting businesses and education providers, and working with non-profits within the field of sustainability and the SDGs to shift existing enterprise education programs towards sustainability orientated curriculum. A universal framework, implemented alongside EU SME policy, would provide aspiring entrepreneurs both old and young with a toolkit on how to incorporate sustainability at its core, in a way that aligns with the SDG ethos of what sustainability truly looks like.

To create a new generation of sustainable, and subsequently resilient SMEs, EU policy needs to focus on entrepreneurship education policy to ensure sustainability is at the root of all business *movements*. Entrepreneurs are not made over night, but through years of experience, education and skills development. Young people across Europe are becoming more interested in entrepreneurship as a viable career path, with a growing interest in extracurricular enterprise training programs and schemes, with many young people starting up their own 'side hustles' and enterprises during lockdown as a source of income. Providing young entrepreneurs with a roadmap or framework to being a sustainable entrepreneur not only encourages those on the receiving end of the training to centre sustainability in their business strategy, but also incentivizes more mature SMEs to re-strategize in order to keep up with the growing demand for sustainability, which further aids in building back better.

## Bibliography

SME United, 2020. *The Economic Impact of COVID-19 on SMEs in Europe*, Brussels: SME United.