


# Current challenges facing businesses across Europe

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**For businesses, the main challenge is finding customers, whereas for governments it remains a fundamental revision of the regulatory framework.**

What are the current challenges businesses face across Europe? There are two basic views: the view of an entrepreneur trying to do business on a daily basis, and the view of the government which sets the framework/rules for business activities.

**Business view**

This also confirms the conclusion of a European Commission (EC) survey on European small and medium-sized enterprises (SMEs). Finding customers is a problem for 71% of EU28 SMEs. Other important problems for European SMEs are related to issues such as access to finance (a constant problem for entrepreneurs), the availability of skilled labor, production costs, competition and, last but not least, regulatory barriers that affect the daily life of each and every company. Of course there are differences between countries. While in Greece, for example, access to finance is a huge problem; in some Scandinavian countries it is of little significance.

The effects of the 2008 crisis are still being felt. The performance of SMEs in most EU countries is still lower than before 2008, i.e. they employ less people, added value has not returned to 2008 levels, and many of them have folded. The Slovak economy lost almost 50% of its medium-sized companies. On the other hand, Germany reports 10% higher employment in SMEs than in pre-crisis times.

In 2008, EC introduced its key agenda – the Small Business Act (SBA). It is a set of 10 principles which identifies the main challenges the business sector faces and a list of measures intended to improve the business environment, i.e. steps to be taken by governments. This agenda has been implemented in individual member states to various extents.

The annual EC survey focused on SBA implementation came up with similar business findings as stated above linked to these 10 SBA principles. According to the survey, access to finance was identified as the main concern of European companies. This was followed by entrepreneurship issues, responsive administration, and skills and innovation, including complaints about excessive red tape in general and specifically as regards access to EU funds.

**Government view**

Although companies face a free market as regards B2B and B2C, they also regularly need to comply with government regulations introduced in different areas, e.g. starting a business, expansion, employment, export-import on the EU single market and outside the EU, etc. They also face regulations in areas such as education that ultimately determine the knowledge and skill level of future employees. These affect the business environment indirectly, but notably.

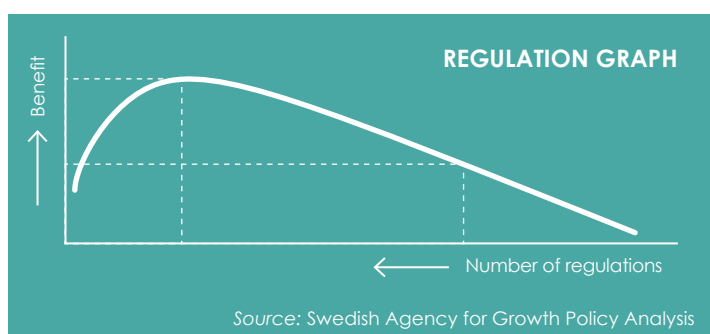
The main challenge for governments, therefore, remains the regulatory framework and the resulting regulatory burdens. Of course, there must be rules in any society to determine "how to play the game". The question is how many regulations are needed and at what stage the regulatory framework starts to be burdensome. According to the Swedish Agency for Growth Policy Analysis, there is a correlation between the number of regulations and the benefit to society and in this case there is truth in the old adages that "quantity does not equal to quality" and "less is sometimes more".

Of course, an important part of this comprehensive regulatory program is the question of how particular regulations are devel-

oped, i.e. from the early stage of defining a regulation's objective, through stakeholders' involvement, finishing with a detailed impact analysis of the proposed or revised regulations for the business environment to enable an understanding of regulations.

In Europe, there are too many burdens and so regulatory reform is a necessity and a brand new approach is needed towards entrepreneurs which includes a policy understanding and partnership. It is a gigantic task as there are a colossal number of international, EU, national, regional and local regulations. In addition, there are always ideas coming from various stakeholders from the public and private sectors that continuously extend the existing regulatory framework and cause additional chaos and burden. However, if leaders do not find the will to resolve this challenge, the situation will worsen.

SBA principle	Significant challenge		Principle description
	Yes	No	
Entrepreneurship	49%	51%	Creating an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
Second chance	35%	65%	Ensuring that honest entrepreneurs who have experienced bankruptcy are promptly given a second opportunity to succeed
Responsive administration	46%	54%	Making public administrations responsive to the needs of SMEs
State aid and public procurement	32%	68%	Adapting public policy tools to suit SME needs – facilitating SMEs' participation in public procurement and ensuring better access to State Aid for SMEs
Access to finance	66%	34%	Facilitating SMEs' access to finance and developing a legal and business environment conducive to the specific requirements of SMEs, including timely payments in commercial transactions
Single market	12%	88%	Helping SMEs to benefit more from the opportunities offered by the Single Market
Skills and innovation	46%	54%	Promoting the enhancement of skills in the SME workforce and all forms of innovation
Environment	16%	84%	Enabling SMEs to transform environmental challenges into economic opportunities while acting sustainably
Internationalization	42%	58%	Encouraging SMEs to benefit from the growth of global markets and supporting them in this pursuit



Source: European Commission