



## Inspire Policy Making by Territorial Evidence

### Applied Research project

Small and Medium-sized Enterprises in European Regions and Cities

**Theme:** SMEs

### Scope

Small and Medium-sized Enterprises (SMEs) make up the backbone of the European economy. According to the Annual Report on SMEs 2014 produced by DG Enterprise and Industry, SMEs account for 99% of all businesses, provide 67% of all employment, and almost 60% of the value added in the EU. The majority of SMEs and SME activity is concentrated in the largest EU member states. Together Spain, France, Italy, Germany and the UK account for more than 60% of the total number of SMEs as well as the share of total employment.

However, in spite of the strong presence of SMEs in Europe and their contribution to employment and growth, a systematic and comparative overview and analysis of SMEs at regional level is missing. Thus, there is a strong impetus for this research activity on SMEs with a territorial focus that can provide regions and cities with knowledge and evidence on their SME sectors. Importantly, this territorial evidence and knowledge needs to focus on options for SME development in order to enable more targeted and tailor-made public initiatives at regional level, strengthening their contribution to economic growth and employment in European regions and cities.

The main objective of this research activity on is to map and analyse the territorial patterns and performance of SMEs in Europe, and to propose territorial development strategies that can be considered in different regions and cities to further strengthen the development and sustainability of the SMEs. The following tasks will be carried out within the framework of this research activity:

- 1) Development of a conceptual and methodological framework based on the definition of SMEs applied by the European Commission and DG Growth. Based on the research framework developed, data should be collected on SMEs at national and regional level (if possible at NUTS 3

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- level), on size, employment, sectors, and economic weight covering the period 2005-2015.
- 2) Based on task 1, mapping of the territorial patterns of SMEs in Europe covering the period 2005-2015, in particular related to urban vs. rural and core vs. peripheral regions, and an analysis of their performance (dynamics/drivers and processes) in terms of contributions to regional growth, e.g. employment growth and innovation, in particular in the areas of the creative/knowledge economy, ICT and the low-carbon economy.
  - 3) An analysis based on the case studies of development opportunities and obstacles for SMEs in different types of regions, in particular urban vs. rural and core vs. peripheral regions. The service provider should strive to provide a regional typology based on the results obtained.
  - 4) Furthermore, based on the case studies, identify good practices in terms of governance in support of the growth and competitiveness of SMEs in different types of regions and cities. Based on the identification of good practices, the service provider should point to key elements that can contribute to improve the implementation of investment strategies in the current programmes for SME development.
  - 5) Propose possibilities how EU Cohesion Policy could bring added value to the future development and growth of SMEs in European regions and cities.

### **Policy questions**

- What are the distribution patterns of SMEs across European regions and cities in terms of size, employment, sectors, and economic weight? Can specific territorial patterns be identified concerning the location of new SME start-ups, their survival rates and growth development?
- To what extent and in which ways do the SMEs contribute to business development, job creation and innovation in European regions and cities, in particular in the areas of the creative/knowledge economy, ICT and the low-carbon economy? What are the key dynamics and drivers for the growth of these SMEs, especially after the crisis?

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- What are the main opportunities and obstacles for SMEs to grow? Does this differ across the European territory, and if so, how? Are development conditions better in dense urbanised areas? How does international connectedness and globalisation affect SMEs?
- How could SME development best be supported in different types of regions/territories? What type of territorial development strategies should be considered in different regions and cities to further strengthen the development and sustainability of the business environments for SMEs? What is the particular role of the public sector and where can public money be spent most efficiently?

#### **Main expected results**

- A collection of comparative territorial evidence at regional and urban level (NUTS 3 if possible, at least as part of the case-studies) on the location patterns, business structure (i.e. size, employment, sectors, and economic weight), dynamics and drivers for growth of SMEs in European regions and cities covering the period 2000-2015 enabling a pre-crisis/post-crisis perspective.
- An in-depth analysis of the contributions of the SMEs to business development, job creation, and innovation in European regions and cities, as well as the key factors behind the successful regions. In particular, the areas of the creative/knowledge economy, ICT and the low-carbon economy should be taken into account. In this regard, the service provider is expected to cooperate/exchange closely with the service provider on the low-carbon economy.
- An analysis of SME development opportunities (dynamics and drivers) in different types of regions and different urban contexts, from small-medium sized towns to metropolitan agglomerations.
- Up to five case studies related to SMEs in different types of territories, reflecting the diversity of SMEs in Europe and making it possible to describe the key factors behind successful SMEs in these regions. The case studies should have two main focuses: 1) The way SMEs have handled the effects of the crisis; 2) Good practices in terms of

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governance and development instruments in support of the growth and competitiveness of SMEs.

- Proposal on targeted territorial investment strategies for SME development in different European regions and cities, taking into account the potential roles of various regional, national and EU-level policies and measures (public and private).

#### **Contractors**

- ÖIR, Austrian Institute for Regional Studies and Spatial Planning, AT (lead contractor)
- KMU Forschung, Austrian Institute for SME Research, AT
- Spatial Foresight, LU
- VVA Europe, UK
- Oxford Group, DK
- Centre for European and Local Studies (EUROREG), PL

#### **Project Support Team**

- Hanna-Maria Urjankangas, Finland
- Alexandros Karvounis, European Commission

**Budget:** € 485.850,00

**Lifetime:** May 2016 – December 2017

#### **Deliveries**

- Inception delivery, 25 July 2016
- Interim delivery, 23 February 2017
- Draft Final delivery, 23 July 2017
- Final delivery, 24 November 2017

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**ESPON 2020 – More information**

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