

International Conference on the Challenges and Good Practices of SMEs in V4 Countries

24-25 Sept 2019, Budapest, Hungary

This 2-day international conference targeted the sharing of good practices and discussing common challenges of SMEs in the V4 countries along different aspects. Participants included academics, researchers, experts from public authorities as well as representatives of businesses and other organizations working on various aspects of entrepreneurship.

Therefore, the event represented a special opportunity for getting involved in interactive and discursive knowledge-sharing and networking as well as for formulating messages that can be channelled into decision-making. Accordingly, the next paragraphs provide short summaries on the different sections and highlight the main messages.

The most important points of the discussions are as follows:

- vocational and higher educational institutions' curriculum lag behind the needs of the sector,
- creative and entrepreneurial thinking should be reinforced as early as possible and the culture of entrepreneurship should be promoted,
- the most pressing issues for SMEs are regulation and taxation,
- there are many financial schemes available for entrepreneurs and SMEs but the way and focus how they can use them should be made more efficient,
- there is a need for reinforcing regional networks through V4 countries to discuss their specific needs and better articulate their interests,
- opportunities for mentorship, knowledge sharing and networking should be further promoted,
- discussion on the specific needs of different segments of entrepreneurs and SMEs needs to involve the relevant decision-makers too.

Overview on the current state of competitiveness and innovation potential of V4 countries

The first plenary session was dedicated to give an **overview on the current state of competitiveness and innovation potential of V4 countries**. Invited experts from all V4 countries had significant experience in policy forming and/or evaluation. Experts agreed that the **most pressing issues for SMEs are taxation and regulation**. It was also confirmed that through the various instruments of Cohesion Policy an important amount of subsidies or other forms of financial support are available for SMEs. However, policy-makers have to pay attention to the following factors:

- *spend the financial assets in an efficient way,*
- *not to distort the market in the meantime,*

- *raise the competitiveness of special segments.*

The most important need of the sector is that SMEs should be left alone to work and only the necessary conditions for their optimal operation is expected to be secured by decision-makers.

Current trends in V4 countries

The second plenary session touched upon **various trends in the Visegrad countries**. First, V4 SMEs' position was presented with regard to circular economy through the eco-innovation index. Accordingly, the region lags behind and there are a number of important steps to be taken to reach an advancement, e.g.:

- waste and resource management should be better connected,
- *new business models should be launched and promoted,*
- *costs of meeting regulations should be decreased,*
- *companies should get access to relevant information and exchange of good practices.*

Apart from policy changes in this field, **spreading innovative and entrepreneurial thinking through education** is a must – which also represents a key asset to boost entrepreneurship among young people. Providing support for those who have entrepreneurial idea can be done not only through **making available financial assets, but providing mentorship and networking** is also of key importance. For start-ups, challenge and innovation are the key words which can be easily embraced by youngsters. Penetration of digitalization and the so-called e-cohesion is supposed to give momentum to the rise of start-ups on our region if we are able to mitigate the **problem of the lack of adequate human resources**. Related to this, the example from Poland was outstanding: regardless governmental initiatives certain cities decided to develop strategies and provide an attractive environment for start-ups: as a result, a number of accelerator and start-up centre programmes were launched.

Speakers of this session agreed that **more trust** would be needed towards people absorbing governmental/EU funds to enable them to use efficiently these funds and ensure the growth of their SMEs instead of dealing with administration and reporting. Moreover, enhanced cooperation among programme owners and beneficiaries at regional or international level could also strengthen the position of the regions, V4 economies and SMEs.

Afterwards, four parallel sessions were held with different focuses.

Female entrepreneurship:

Seven speakers presented their initiatives or projects in the frame of a pitch session. Most of them provides education, training or coaching, mentorship, networking opportunities for different groups of women, either students in higher education or potential entrepreneurs on maternity leave or young ladies below the age of 34 or generally women aiming to launch enterprises or already launched one. Apart from the fact that supporting female entrepreneurship can exploit an important potential of the national economies by the integration of women, it is also important that entrepreneurs can provide employment for job-seekers in the labour market. If only 4 percent of graduates aim to launch enterprise there is a huge risk of the lack of potential employees.

Participants agreed that **entrepreneurial thinking and potential role models have to be promoted as early as possible**, starting in kindergartens or elementary schools. **Entrepreneurs themselves have to be respected and supporting environment** has to be secured for female entrepreneurs to enable their successful operation and growth. Lastly, it has to be highlighted that the discussion on female entrepreneurship should not address female experts and entrepreneurs

themselves but it is important to establish *a real dialogue with decision-makers* and efficiently involve them into real discussion on the issue.

Social entrepreneurship

The concept of social enterprise and solidarity economy remain uncertain in the V4 countries. But each of the V4 countries is an expanding sector that is very diverse. There are different legal forms and operating rules in the countries and the structures supporting these businesses are very diverse. They have *significant added value in addressing societal challenges* everywhere.

Funding opportunities, particularly EU funding, fundamentally determine how organizations in the sector operate, choosing forms and activities for which grants are available. Poland has an outstanding support system that can provide good experience for the V4 states.

There has been a lively debate about the *role of municipalities* in social enterprises. In some countries municipalities are the owners of such organizations, which can bring economic benefits but undermine bottom-up initiatives and the self-determination of the owner individuals.

The discussion highlighted the difficulties social enterprises face and the need for additional support compared to traditional businesses.

The main message of the panel participants was that there is *need to strengthen social enterprises and networks, to increase policies' pro-business nature of social enterprise development, and to develop long-term national social enterprise strategies*, preferably within the SME strategy.

Digitalization & industry 4.0

In manufacturing, disruption is slow, the years pass fast. For certain verticals, like automotive the pace is different, digitization is more advanced. In pharmaceuticals, sharks are coming in, with digitalisation 15% saving is achievable, which is significant. *In CEE uptake is slow*, already lagging behind for example Germany

It is challenging to estimate the costs associated with digitalisation. 9 of 10 enterprises does not feel the need to change. Implementing industry 4.0 solutions, even partial ones is expensive and skilled labour shortage is evident. First, *companies need to understand the importance and then they should be motivated to invest in new technologies*. New models of operations need to be introduced, for this, simplified regulation is necessary. Co-ordination of the line ministries efforts is also crucial.

Similarly to other fields, neither vocational nor higher education structure addresses the industry needs, the curricula needs to be adapted and be flexible. *Teaching coding, training for new hard and soft skills* is more important than the current curriculum.

Beyond education, *knowledge transfer* is also an important element: creating industry platforms, sharing experience, inviting trade unions. Example factories should be identified, the owners could be consulted directly to share practices. Funding can represent an additional asset but spending you own money is inevitable necessitates to have successful projects and secure efficiency.

Factors to be taken into account when designing policy intervention:

- value added on production
- size, sector, ownership: segmentation is necessary, not every segment in SME is suitable for the industry 4.0

- role of leadership at the enterprises, visionary approach-
- technology conditions: location, rural areas, digital divide should be addressed, improve conditions
- put a special focus on attracting and motivating young generations: organizing e.g. innovation workshops 4-6 hours for students



Family businesses, generation change

With regard to family businesses the generation change is the most pressing issue in all V4 countries. The fact that an important part of family enterprises came into existence during the 90s and their founders are now expected to step back reveals the focus of many related issues. The topic is even more important taking into consideration that, for instance, in Hungary one third of enterprises belong to family businesses.

The **role of external experts** was extensively debated with regard to generation changes: either remaining an external advisor during the change of leadership or taking over the leadership from the family members. **Perceptions of family members, founders and possible inheritors** can be very diverse but importantly influence the further development of the business.

Participants agreed that the generation which is supposed to take over family businesses have much broader opportunities for studying, networking, and investigating good and bad practices which should be exploited before they get engaged in the leadership of the family enterprise.

More information: <http://hetfa.eu/v4ne-conference/>

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