Restructuring in SMEs in Europe

Executive summary

Restructuring is also the subject of policy debate at European and national level, which has resulted in the introduction of several support measures, some also explicitly targeted at SMEs wishing to restructure. Nevertheless, further improvement is possible, as is highlighted in the European Commission’s 2012 Green Paper on ‘Restructuring and anticipation of change: what lessons from recent experience?’. The current report aims to assist policymakers by giving an overview of the current situation and putting forward suggestions for potential policies that would take into account the specific needs of SMEs.

Key findings

Internal restructuring, such as the adaptation of internal processes or structures, diversification or business transfers, is the most common form of SME restructuring. It is often combined with other types of restructuring, such as business expansion. Bankruptcy and closure – or procedures to avoid this – are also a common occurrence – as is business expansion. Outsourcing is of increasing importance, but is still at a relatively low level, particularly in the new Member States where SMEs traditionally play the role of sub-contractor. There is very little information available on mergers & acquisitions, relocation and offshoring/delocalisation in relation to SMEs across Europe. This could be due – in the case of relocation and offshoring – to these features being largely irrelevant to the SME sector, while the lack of information on mergers & acquisitions could be explained by the thresholds for registration/authorisation simply not capturing SMEs.

Restructuring processes in SMEs tend to be carried out in a reactive, unplanned manner and without formal restructuring plans. The exceptions to this are changes which require high investment, such as relocation, or international expansion (beyond...
Restructuring in SMEs results in the expansion or reduction of business activities and in changes in management orientation (such as professionalisation of structures and procedures). This in turn can affect the product portfolio, internal processes and cost structure. Together, these changes in strategy and operation impact on the firm’s economic situation and competitiveness. From an employment perspective, restructuring in SMEs mainly affects staff numbers and job quality and partly also wage levels and work content.

Policy pointers

Restructuring in SMEs is an under-researched topic and while the current project has endeavoured to systematically approach the issue and map the situation, further research is needed. Several pointers for future policy development have been identified:

- Awareness-raising campaigns could be carried out to encourage entrepreneurs, employees and business partners (including banks) to deal with restructuring in a timely and supportive manner.
- The establishment of one-stop-shops, coordinating support providers and offering integrated support packages, could facilitate access to external assistance.
- Existing support needs to be evaluated and research conducted on what further support is needed in order to offer appropriately targeted measures.
- Measures could also be differentiated (for example, by size class or sector) and implemented with a minimum of bureaucracy and fast delivery.
- Low levels of bureaucracy and fast procedures should be part of legislation related to SME restructuring.
- SME entrepreneurs should get access to training in management skills and help from private consultants to foster business development, and not just in an emergency.
- Support is also needed on accessing finance and business growth.

Further information

The report, Restructuring in SMEs in Europe, is available at www.eurofound.europa.eu/publications/htmlfiles/ef1247.htm

For further information, contact Irene Mandl, Research Manager, at ima@eurofound.europa.eu