

Article Info

Accepted: 24/05/2022

Corresponding Author: (\*) [koutsop@survey.ntua.gr](mailto:koutsop@survey.ntua.gr)

DOI: <https://doi.org/10.48088/ejg.k.kou.13.3.44.49>

Geographic Insights in Brief

## A new approach towards SME's consideration

Kostis C. KOUTSOPOULOS<sup>1\*</sup>,

<sup>1</sup> V.P. EUROGEO

The definition of an SME may vary from country to country (for example, the definition in Germany has a limit of 255 employees, while in Belgium it can be 100), but in all of them they are regarded as the key drivers of the economy and represent its backbone. Indeed, SMEs provide innovations spread throughout regions to solve a series of challenges like unequal development, climate change, resource efficiency and social cohesion. In addition, they involve: job creation; unemployment reduction; significant contribution to growth in GDP; sustainable spatial growth; needed money flow; the seed to form large companies; and the development of appropriate technology.



**Copyright:** © 2022 by the authors.

This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CCBY-SA-4.0). View this license's legal deed at <https://creativecommons.org/licenses/by-sa/4.0> and legal code at <https://creativecommons.org/licenses/by-sa/4.0/legalcode> for more information.

*The publication of the European Journal of Geography (EJG) (<http://eurogeojournal.eu/>) is based on the European Association of Geographers' goal to make European Geography a worldwide reference and standard. Thus, the scope of the EJG is to publish original and innovative papers that will substantially improve, in a theoretical, conceptual or empirical way the quality of research, learning, teaching and applying geography, as well as in promoting the significance of geography as a discipline. Submissions are encouraged to have a European dimension. The European Journal of Geography is a peer-reviewed open access journal and is published quarterly.*

However, despite the importance of SMEs, there is considerable confusion over which characteristics should be used to express and evaluate them, in determining policies and programs to help and support them. The literature (Peters and Waterman, 1982; Amini, 2004; Radam et al., 2008) has attempted to answer these concerns, but the BALANCE project's (Green and Stable -Bringing Sustainability and Environmental Action Together for Better Future) research has shown that nowadays such justifications cannot be accepted, because the failure to address these issues lies on the inability of the traditional approach (exclusive economic) in describing, and analyzing them. For an effective and efficient use of SMEs to facilitate the previous mentioned activities, their nature and all aspects related to them have to be fully understood and taken into account, because in turn they determine how they operate and managed in real life conditions.

In the last few years, important changes have taken place in the way we view SMEs, resulting in a new way they operate and are managed. Basically, changes in the perception, operation and management of SMEs provided by the bibliography (Hamidatum and Sabariah, 2020; National SME Development Council, 2012; Selamat et al., 2011), the results of the BALANCE project, and practicing experience, clearly indicate that a new approach towards EMEs is required. Indeed, nowadays for an appropriate way to deal with SMEs there is a need to accept that there have been changes both in terms of the way they are regarded and operate. This leads to the realization that the resent approach to SMEs, is now absolute and we are in the period of a new paradigm (Kuhn, 1962). The justification of such a paradigm shift is based on the following principles:

The determining factor in the observed changes in SMEs' role and in their enterprising approach are the result of alterations in societal perceptions and beliefs. The bibliography has clearly shown that changes in societal values and goals through time, result in profound changes in all aspects of our lives (Koutsopoulos, 2011; Koutsopoulos and Kotsanis, 2014), including the role SMEs are playing and operate.

The changes in SMEs role and entrepreneurship are conditioned by the given economic setting, during a specific time period, which in turn is the result of the existing societal and economic conditions. In other words, it is the existing societal conditions that condition the nature and entrepreneurship of SMEs.

The previous societal changes have led to a change (paradigm shift) from a simple one-dimensional approach focusing mainly on the economic aspects of SMEs operation and management, to a more sophisticated multi-dimensional approaches, where a set of SMEs characteristics are their defining entrepreneurship criteria.

SMEs operation need to provide integrated services and products to be successful. SMEs operating only in economic terms, ignoring factors such as stimulating growth, ensuring jobs, concerned with the well-being of citizens etc., is not acceptable anymore. What is needed is a new approach to overcome the fragmentation of their operating and managing techniques as well as of their social ramifications.

This new SMEs approach, which accommodates at the same time enterprising and societal needs, in essence represents the confrontation of SMEs and the economic and societal conditions of the real world, which is too broad to be handled by mono-dimensional (economic) approaches without been concerned with the holistic nature of that world. As a result, the new SMEs operation and entrepreneurship, should transect all societal conditions, and not only the economic.

Based on these principles it should be clear that in treating an enterprise as an SME, the enterprise's economic characteristics (i.e., employees, turnover and balance sheet total amounts) are not the only factors that should be taken into account. In fact, an enterprise can be very small in these terms, but if it has access to significant additional resources (i.e., it is owned by, linked to or partnered with a larger enterprise), it might not qualify for SME status. In a similar manner, the necessity to: reduce CO<sub>2</sub> emissions, transform the energy industry, move the production to a more environmental-friendly stage and many managing issues cannot be ignored.

These concerns suggest that nowadays the conditions, benefits and the impacts of SMEs can be assessed only through an integrated entrepreneurial process. In other words, there is a need for a new approach (paradigm), demanding important changes in the way we approach and consider SMEs. Indeed, it is suggested that to address a present day SME, another approach is necessary, which has to simultaneously deal with: the degree an SME fulfils its multiple advantages (i.e., Informal Management, Flexibility etc.); the spatial enterprising environment it conducts its business (i.e., Development Potential, Network and Supply Chains etc.); and the degree it applies the Green Action Plan (GAP) (i.e., eco-innovation, reduce CO<sub>2</sub> emissions etc.), in an integrated manner respecting all these aspects. In other words, all factors related to the SMEs existence should be considered in assessing or considering any SME.

In determining such an approach, demands the building of a different philosophy in addressing an SME, which should include a set of SME attributes related to: the ADVANTAGES it exhibits; the SPATIAL ENTERPRISING ENVIRONMENT within which it operates; and the aspects of GREEN ACTION PLAN it applies. The BALANCE project in order to evaluate this approach,

among other SME's issues, examined and evaluated national and other SMEs initiatives in six countries (Belgium, Bulgaria, Cyprus, Greece, Ireland and Spain) utilizing the three major dimensions of the SMEs operation, indicating that the national initiatives span the whole spectrum of entrepreneurship activities and therefore they can be used to make initial and broad inferences on SMEs activities as shown in Table 1

**Table 1:** Evaluation of national SMEs initiatives

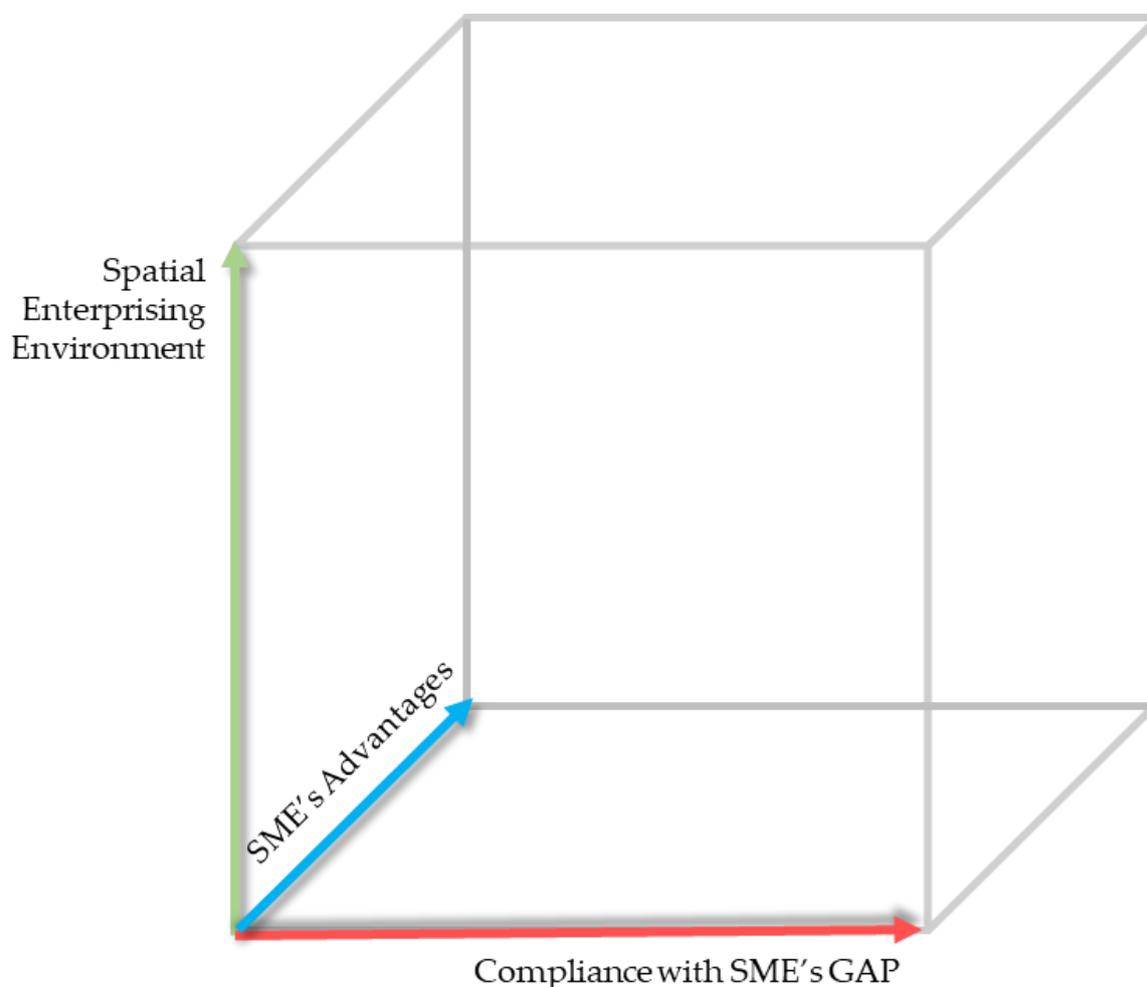
|  | <b>SMEs ADVANTAGES</b>       | <b>SPATIAL ENTERPRISING ENVIRONMENT</b>  | <b>COMPLIANCE WITH GAP</b>  |
|--|------------------------------|--|---|
| <b>BELGIUM</b>   |                              |  |   |
| <b>A new center of competitiveness for Wallonia</b>            | Deploying economic tools.    | Green clusters.  |   |
| <b>Brussels Technology center</b>                              |                              |  | Assistance on environmental protection.   |
| <b>Brussels Environmental Technology center</b>                |                              | Monitors, informs, supports and mobilizes to drive innovation.                               |   |
| <b>Coopcity</b>  | Entrepreneurial initiatives. |  |   |
| <b>The Greenbizz initiative</b>                                |                              |  | Sustainable energy and the environment.   |
| <b>BULGARIA</b>  |                              |  |   |
| <b>The greenest companies in Bulgaria</b>                      |                              | Green innovations and CSR initiatives.   |   |
| <b>Green accelerator</b>                                       |                              |  | Climate-KIC Accelerator.  |
| <b>The Coalition for Green restart</b>                         |                              |  | policy recommendations for the implementation of the Green deal.                                      |
| <b>CYPRUS</b>  |                              |  |   |
| <b>Organizations and Businesses Awards for the Environment</b> |                              |  | Adopting and promoting strategies in environmental education, environmental research and information. |
| <b>The Green Cluster</b>                                       |                              | Bring together companies as well as individuals working in the environment and green sector. |   |
| <b>Green dot Cyprus</b>  |                              |  | Collective Compliance System for Packaging Waste.   |

|   |  |  |   |
|---|--|--|---|
| Green office certification  |  | Environmental quality certification for buildings and offices            |   |
| Small Business Support Program in Cyprus» by EBRD   | Help SMEs gain access to know-how, enhance their competitiveness and grow                  |  |   |
| <b>GREECE</b>   |  |  |   |
| Recycling law   |  |  | Adjusts existing laws and regulations to circular economy principles.                               |
| Equity financing  |  | Invests in high-value added and innovative early growth stage companies. |   |
| "Think Green" program.  |  |  | Face environmental impacts of SMEs  |
| Development Law 3908/2011   |  |  | Reinforces investments concerning the innovation and application of green practices.                |
| The National Strategic Reference Framework (NSRF) 2007-2013   |  |  | Provides guarantees on long-term and short-term loans or finances small and very small enterprises. |
| <b>IRELAND</b>  |  |  |   |
| <i>The National Policy Statement on Entrepreneurship (NPSE)</i>                                       |  | A facilitator within the Irish entrepreneurship ecosystem.               |   |
| "Voice of Small Business" program.  |  | Drive SMEs entrepreneurship in a determined and coherent manner.         |   |
| Government Policy for Social Enterprise.  |  | Achieve a social, societal, or environmental impact of SMEs.             |   |
| Social Entrepreneurs Ireland and Social Innovation Fund Ireland.                                      | Provide support to social entrepreneurs and innovators through funding and other measures. |  |   |
| Local Community Development Committees.   | Support enterprises through various initiatives  |  |   |
| <b>SPAIN</b>  |  |  |   |
| Life Program  |  |  | Economic aid to protect nature, the environment and climate change.                                 |
| Action Plan for the Implementation of Agenda 2030: Towards a Spanish Sustainable Development Strategy |  |  | Implement a Sustainable Development Strategy  |

|   |  |  |   |
|---|--|--|---|
| The Spanish strategic framework for SMEs                                  |  | Solicits new proposals to strengthen SMEs in a changing, global, digitized, innovative and sustainable environment |   |
| Spanish strategy for the circular economy.                                |  |  | A package of measures and a European action plan.                             |
| Sustainable Development Goals (SDGs) and the goals set by the 2030 Agenda |  |  | Offers all levels of government a common language to improve public policies. |

In sum, it is clear that in examining SMEs three dimension play an important role: the nature of the SMEs, their entrepreneurship spatial operation and the application of the GAP (figure 1). As a result, for an appropriate way to deal with SMEs there is a need to take into account such factors as the ones shown in Table1.

**Figure 1: Conceptualization of SMEs**



**ACKNOWLEDGEMENTS:**

This short paper has been the result of the author's participation, as a EUROGEO partner, in the Bringing Sustainability and Environmental Action Together for Better Future (BALANCE) Erasmus+ project (Project ID: 2020-1-BG01-KA204-079048).

## REFERENCES

Hamidatum, M., Sabariah, Y. (2020). SMEs' Perception on Supply Chain Risk: Does Size Matter? *International Journal of Accounting, Finance and Business*. 5 (27), 30-46.

Koutsopoulos, K. (2011). Changing Paradigms of Geography” *European Journal of Geography*, Vol. 2, (1), 54-75.

Koutsopoulos, K. & Kotsanis, Y. (2014). School on Cloud: Towards a Paradigm Shift. *Themes in Science and Technology Education* 7 (1), 47-62.

Kuhn, T. (1962), *The structure of scientific revolutions*. Chicago: University of Chicago Press.

National SME Development Council. (2012). Summary SME masterplan 2012-2020: catalyzing growth and income. Available from, [https://www.researchgate.net/publication/342735407\\_SMEs'\\_Perception\\_on\\_Supply\\_Chain\\_Risk\\_Does\\_Size\\_Matter](https://www.researchgate.net/publication/342735407_SMEs'_Perception_on_Supply_Chain_Risk_Does_Size_Matter) (accessed 10, May2022).

Peters, T.J., Waterman, R. (1982). *In Search of Excellence*. New York: Harper & Row.

Radam, A. Abu, B. L. & Abdullah, C.M. (2008). Technical Efficiency of Small and Medium Enterprise in Malaysia: A Stochastic Frontier Production Model. *International Journal of Economics and Management*. 2 (2), 508-515.

Selamat, N. H., Abdul-Razak, R. R., Gapor, S. A. & Sanusi, Z. A. (2011). Survival through entrepreneurship: Determinants of successful micro-enterprises in Balik Pulau, Penang Island, Malaysia. *British Journal of Arts and Social Sciences*. 3 (1), 23-37.