

The Official B20 Argentina Global Briefing Report



B20

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The Exclusively Authorised B20 Magazine for VIP's, Delegates, Diplomats and World Leaders

By Inés Berton

CEO & Founder, Tealosophy



SMEs role in promoting inclusive and sustainable growth

Small and medium-sized enterprises (SMEs) and entrepreneurs constitute the backbone of national economies. SMEs are decisive for economic development and account for the largest portion of employment.

The B2O Argentina SMEs Development Task Force, composed of more than 150 worldwide members, defined its ambitious mission to identify and propose policy actions that reflect Small and Medium Enterprises' needs while stressing their relevance as the backbone of national economies in every G20 country.

From the start, I have encouraged SMEs members to think outside the box as SMEs' own dynamics are often disruptive and innovative. As a driver of economic growth and job creation, SMEs potential cannot afford to remain stagnant.

We are living in a world where business, technology, politics and societies quickly intersect with each other. This poses challenges but also new opportunities to SMEs development. It is important to emphasize that SMEs need to be more

flexible and more dynamic to rapidly adapt to this new era characterized by digital transformation and new forms of work.

The B2O community has emphasized the critical role SMEs play in achieving Sustainable Development Goals (SDGs) and promoting inclusive economic growth. We have identified four main areas that need to be discussed in order to foster SMEs birth and survival rates. Strengthening SMEs capabilities—in terms of improving their access to finance, fostering talent attraction and entrepreneurial skills development, providing simplified regulatory frameworks and promoting active participation in the digital economy—remains crucial to reduce social inequalities.

Identifying SMEs' challenges according to their development stage has been a substantial step towards a better understanding of SMEs heterogeneity, as well as the critical success factors and failure risks they face at each level of growth. The micro, small and medium enterprises sector is dynamic and ever-changing. As its composition varies across countries and sectors, a comprehensive view needs to be undertaken when designing national policies that enhance SMEs opportunities.

To unleash SMEs' positive impact on societies, SMEs' main barriers for growth, particularly political and institutional settings, should be targeted and redefined to address

SMEs' constraints for scaling up, promoting SMEs internalization through digital platforms and global value chains.

Digitalization is changing the economic landscape and creating new opportunities for SME development. Often, new and small enterprises are the leading forces of innovation due to their ability to work outside established paradigms, giving SMEs a competitive advantage over larger firms. Fostering entrepreneurship and innovation should therefore be at the core of any tailored national policy that aims to achieve creative and value-added goods and services for their economies.

Finally, I would like to specially highlight the role of SMEs in bridging social and gender divides. I believe SMEs have a special role to foster women's involvement in the labor market. Tackling informality is one way to promote women's access, since the informal economy is generally associated with unsafe conditions, limited rights for workers, very low payment and stronger gender segmentation. As entrepreneurs, SMEs task force members have been bold in proposing new ways forward as we feel the responsibility to provide our unique perspective in the design of policies that contribute to sustainable and inclusive growth.

Inés Berton

●● *FROM THE START, I HAVE ENCOURAGED SMEs MEMBERS TO THINK OUTSIDE THE BOX AS SMEs' OWN DYNAMICS ARE OFTEN DISRUPTIVE AND INNOVATIVE.* ●●



Small & Medium Enterprises Development



Topics:

- › Policies to promote talent attraction and entrepreneurial skills
- › Develop finance facilitation programs
- › Facilitate an effective and timely transition from the informal to the formal economy
- › Promote simplified and SME-friendly regulatory frameworks
- › Innovative inclusion through digital transformations
- › Bridge the gender gap

Small and Medium Enterprises (SMEs) account for over 95% of enterprises, 60-70% of employment and 55% of the gross domestic product and are essential to strengthening productivity and delivering more inclusive growth. ›



Co-Chair:
Graciela Fresno
Federación Empresaria Hotelera
Gastronómica de la República Argentina

"B20 favors the improvement of coordination between governments and companies to face the challenges of the current technological revolution by guaranteeing sustainability and global inclusion."



Chair:
Inés Berton
CEO & Founder, Tealosophy



Co-Chair:
Victor Dosoretz
Cámara Argentina de Comercios y Servicios

"The business community is ready and willing to support small business growth. SMEs are the backbone of the global economy and it's development will therefore result in economic growth, job creation and a more prosperous future for all."



Co-Chair:
Luca Donelli
European Confederation
of Young Entrepreneurs

"We need a novel approach for sustainable growth & employment, particularly amongst the youth. Topics discussed at SMEs Development task force are pivotal in promoting enterprises startup and scale up by spurring innovation via access to GVCS and cooperation with research centers."



Co-Chair:
Martin Castelli
Blue Star Group

"In a world that changes exponentially, SMEs have the ability and dynamism to adapt to the environment. It's an honor to be part of the SME's taskforce where we work creating a framework for a more virtuous growth."



Co-Chair:
Pedro Cascales
Confederación Argentina
de la Mediana Empresa

"The SME issues are crossborder with almost all the chapters of the B20, participation in this task force allow [us] to bring light and public focus to many of the problems the G20 needs to address regarding SMEs in order to have a strong and sustainable economy."



Co-Chair:
Mary Vermeer Andringa
Vermeer Corporation

"When SME's languish, countries languish. When SME's thrive, countries thrive. We are not just talking about impersonal concepts of SME's and countries, we're talking about people. A few solid recommendations offered and implemented would be a success."



Even though there is a wide acknowledgement of SMEs importance to national economies, they yet face already identified roadblocks such as informality, low productivity and scarce access to finance that need to be addressed with a fresh impetus.

While SMEs heterogeneity in terms of their diversity, ecosystem and life cycle need to be properly considered, policy makers should focus on advancing concrete actions for each of SMEs' stages of development: creation, survival and growth. When grouped around their stage of growth, it quickly becomes apparent that SMEs face common barriers that therefore should be tackled comprehensively.

In order to foster SMEs generation, G20 leaders should focus on ensuring a necessary competitive and stable economic environment to start their business and thrive.

●● *DIGITAL TRANSFORMATION ALSO OPENS NEW OPPORTUNITIES FOR SMES SCALING UP, REDUCING THE COST OF ACCESS TO SKILL, TALENT, ENHANCING RECRUITMENT AND KNOWLEDGE PARTNERS THROUGH NEW COMMUNICATION CHANNELS AND BY ENABLING DISRUPTIVE WAYS FOR BUSINESS MODELS TO SUCCEED.* ●●

1. Entrepreneurship is at the core of the SMEs formation, their survival and growth. Governments should aim at promoting entrepreneurship skills through education and training broadening the funding alternatives and financial assistance and introducing special entrepreneurship programs that may, for instance, temporarily reduce tax burden.

2. Equally relevant is the fact that SMEs need to develop capabilities to attract and maintain talent. Even if this is an issue transversal issue is common to enterprises of all sizes, SMEs often find this task particularly troublesome due to a lack of resources, that typically tied to their ability to compete with larger firms in terms of salaries, recruitment and on the job training opportunities.



3. The B20 also encourages the **development of clusters and innovation networks to provide SMEs with an alternative way of sharing knowledge and best practices.** Cooperation between different stakeholders -namely industries, research institutions, and universities- can improve SMEs' productivity, competitiveness and foster innovation.
4. **Across all stages of their life cycle, SMEs require access to sources of financing to start-up, survive and grow.** SMEs' "financing gap" is increasingly becoming one of the main challenges to development, particularly in developing countries. Since SMEs are often the most vulnerable link in national economies, financial inclusion should be at the center of any SMEs policy. While bank lending is the most common source of external financing for SMEs, other forms of >

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› funding should be considered. Public-private investment to reduce the risk of business failure or crowd funding could be some of the alternative financial instruments to be encouraged. In addition, enhancing financial literacy of SMEs simplifying capital market procedures and lowering the accessibility cost structure especially for the unbanked, is key.

5. Similarly, institutional and regulatory settings are fundamental to ensure that all businesses compete on a level playing field. As complex regulatory frameworks inflict higher burden for small enterprises than larger businesses, tailored policies that advance regulation simplification schemes should also be implemented. Increasing tax burdens and high administrative costs impacts negatively is on job creation reduction and/or rises informality. Administrative simplification, regulatory coherence and reduction of tributary weight is necessary for SMEs to scale up. An effective regulatory framework can help SMEs to improve their productivity and competitiveness, inclusion in global value chains becoming a part of the global economy.

6. Internalization offers opportunities to SMEs expansion as it allows firms to specialize and benefit from knowledge spillovers from participation in Global Value Chain. In order take full advantage of internalization potential, G20 leaders should promote SMEs upscaling by investing in skill development, management organization and processes. In these respect Digital economy offers new opportunities for SMES inclusion



Confederación Argentina de la Mediana Empresa

SINCE 1956 SUPPORTING SME'S

The Argentine Confederation of Small and Medium-Sized Enterprises (CAME) is a business association that represents 1.491 chambers. Through the following areas: industry, construction, commerce, regional economies, young entrepreneurs, women entrepreneurs and tourism, we gather more than 600.000 SME's that employ 4.200.000 registered workers.

www.redcame.org.ar



●● *DEVELOPMENT OF CLUSTERS AND INNOVATION NETWORKS TO PROVIDE SMES WITH AN ALTERNATIVE WAY OF SHARING KNOWLEDGE AND BEST PRACTICES.* ●●

- 7. Digital transformation also opens new opportunities for SMEs scaling up, reducing the cost of access to skill, talent, enhancing recruitment and knowledge partners through new communication channels and by enabling disruptive ways for business models to succeed, typically referring to e-commerce platforms. Furthermore, the use of digital tools grants SMEs access to global value chains and international markets.
- 8. Finally, a large number of SMEs have not been able to take advantage of the benefits of the digital economy. **Adoption of digital technologies has not been equal between SMEs and larger firms. To narrow this gap, policies should target not only connectivity and digital infrastructure, but access to digital-enabled platforms, e-commerce and mobile applications.**

The B20 SMEs Cross-Thematic Group is confident that the implementation of the recommended actions will allow for SMEs to deliver valuable contributions towards inclusive growth sustainable economic development. ■

●● *INTERNALIZATION OFFERS OPPORTUNITIES TO SMES EXPANSION AS IT ALLOWS FIRMS TO SPECIALIZE AND BENEFIT FROM KNOWLEDGE SPILLOVERS FROM PARTICIPATION IN GLOBAL VALUE CHAIN.* ●●

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