

Voluntary Sustainable Standards: fostering SME' growth and European market's global position

Proposing an online platform in which SMEs can reduce business' risk by collaborating through achieving sustainability standards

Overview

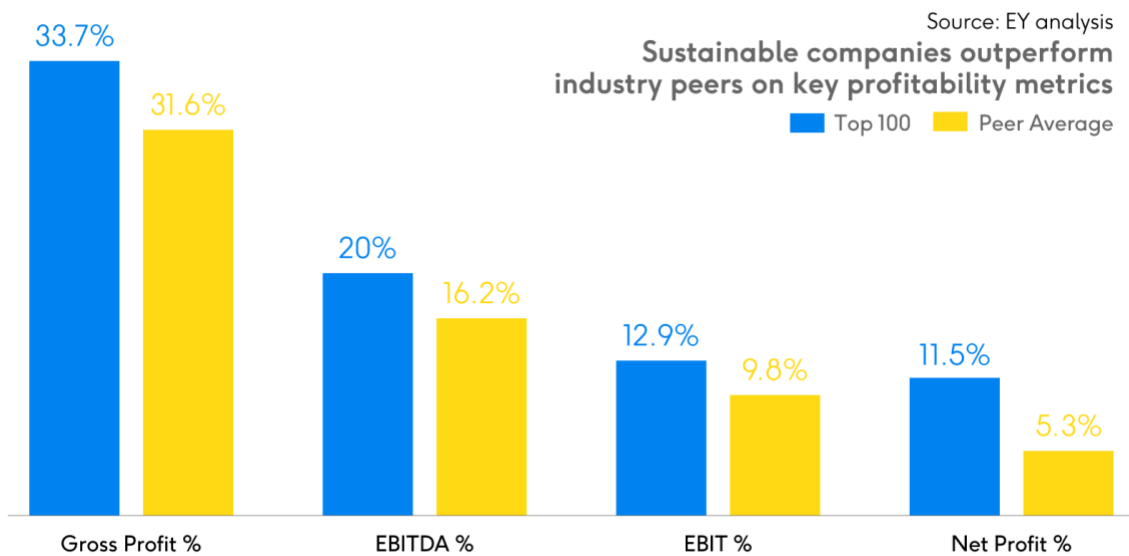
One of the biggest opportunities for the growth of the European trade market is the ease of access of Small and Medium Enterprises to the global supply chain. Risk plays a major factor in stopping businesses and preventing them from investing in internationalization. Acquiring green certifications offers businesses the opportunity to enter the market with unique standards and newly certified products to develop business in the future direction of the green transition. Policymakers should promote awareness, make green opportunity adoption more accessible, and support SMEs with risk reduction with incentives for the green transition.

The EU position in the world trade and Green transition opportunity

The European Union is the world's largest trade block founded on free trade among its members. The Small Medium Enterprises are the engine of Europe: there are over 22 million SMEs in the EU, providing over 82 million jobs and creating over half of the gross value added. They represent 99% of the businesses, but only 8% of them are part of a Global Supply Chain. This is due to the uncertainties that SMEs experience that include, facing the risk of entering new markets. Some of the barriers blocking business are **(a)** the difficulty of identifying foreign business opportunities, **(b)** not enough information to locate/analyze markets, **(c)** lack of managerial time to deal with internationalization, **(d)** the high cost of internationalization. Supporting SME's grow will in turn benefit EU's economy, so the EU will find it worthwhile to fulfil its commitment and invest in supporting the development of SMEs. As stated by the European Parliament and the Council in the COSME Programme; "It is appropriate to establish a programme for improving the functioning of the internal market, the competitiveness and sustainability of enterprises, especially SMEs, standardization, market surveillance and consumer protection".

Meanwhile, the European Union is highlighting one of the biggest and most challenging opportunities for its economy: the Green Transition. As stated by EU Commission President, Ursula von der Leyen, "climate change must be turned into an opportunity. The EU has to be a role model to prove that change is possible and that it is of benefit for the people and for the economy." The EU can push companies towards a green future market to generate growth in the European and international market and thus strengthen its global role. But, how to solve SMEs issues regarding internationalization by exploiting an existing opportunity? The solution is to encourage SMEs to invest in green transition and demonstrate that this is a key aspect to be competitive, innovative, and staying relevant. In fact, optimizing processes for resource efficiency reduces costs and increases global competitiveness while decreasing business risk. New products and services open new markets for enterprises within the EU and beyond.

One of the most effective ways to do this is to push toward the adoption of green certifications. The VSS, Voluntary Sustainability Standards are certifications designed to ensure that a product follows ecological and social responsibilities. In harmony with the intentions of the European Green Deal, the VSSs' aim is to create a new opportunity for European SMEs to embrace global trade by proposing unique certified products and services. Adopting higher ecological standards is not only good for the environment but also for businesses. An EY analysis (see figure below) suggests, +5,7 is the average growth of SMEs focused on sustainability, compared to their competitors.



Encouraging the adoption of green certifications for European enterprises has a positive impact on the market as confirmed by the Brussels effect. It is a phenomenon that shows how the EU is powerful in shaping a virtuous global market. The EU has been successful in design policy in areas such as data privacy, consumer health and safety, environmental protection, antitrust. This has been possible because it has promulgated regulations that shape the international trading environment, raised standards around the world, and led to a significant Europeanization of many important aspects of global commerce.

Now that the benefits for the planet, SMEs, international trade and the EU's position in the world are clear, it is important that policymakers make this opportunity possible and feasible. Actions need to be taken to engage and persuade companies to invest in this and show them the impact generated. This can be done by making sure that SMEs have ease of access to certifications and steps should be taken to educate these SMEs about the importance and the process to obtain certification and support them with tools that could expand their businesses. This may include newer policies regarding the requirements, and special aids pertaining to greening. From our initial research we have also found that many SMEs do not have access to information that already exists. For example: ECCP has a vast amount of information that could help SMEs. If more resources and policies could be directed to the marketing of already existing materials and how-to benefit from them, then problems could evolve that lead to better solutions and internationalization of businesses.

Standards and Growth: a platform for risk reduction and green accreditation

through matchmaking

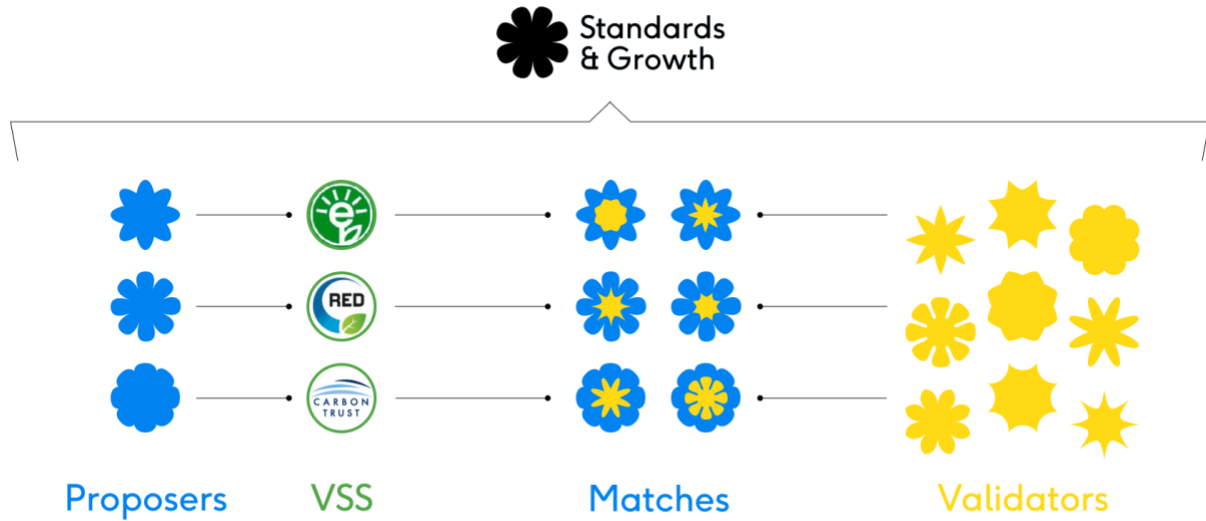


Fig: A diagram of the matching system

Standards & Growth platform aids SMEs to identify which standard to invest in and embrace global trade by exploiting the possibilities provided by the green transition. *Standards & Growth* is an online matchmaking platform that helps SMEs to reduce the risk by validating in advance the market value of the certification they are interested in. On one side "Proposers" are companies that present their intention to obtain VSS, on the other side "Validators" are enterprises interested in finding certified products. The platform mainly handles the matches and extends its support with certifications bodies and local experts who can help them with the transition.

5yrs Objective

N° Certified companies

262.000

N° Certifications

1.004.000

N° Matches

4.016.000

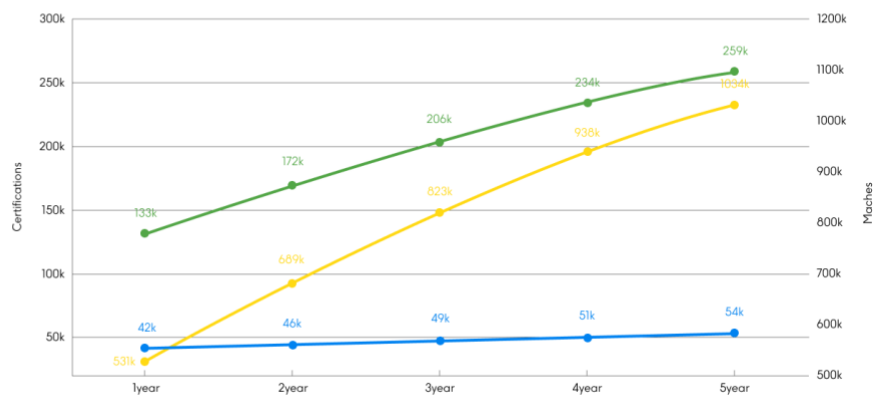


Fig: From our research and codesign we were able to calculate specific objectives for each KPI taking in consideration a 5-year period.

Recommendations

The solution to encourage the SMEs' internationalisation is based on the adoption of a holistic and coordinated approach to respond with a range of support that can help them grow. Mainly we can summarize the actions that can help SMEs in:

(1) Promoting awareness: Many SMEs would like to innovate but lack the information. Informing businesses about the opportunities related to the adoption of green certifications in their sector is essential to push them towards internationalization. To do so, it is necessary to reach SMEs with effective channels.

(2) Making green adoption more accessible and attractive: it is important not only to let SMEs know about the opportunities but also to convince them to do so. It is essential to speak the same language as the business and demonstrate to them the impact they can achieve through their actions, whether economic, social, or environmental.

(3) Create a working network: Clustering programmes between companies, such as ECCP, have proven to be effective in pushing companies to collaborate with each other to grow. But these initiatives have limits to the number of SMEs they can reach because they are designed in ways that are difficult to scale. But online platforms like S&G as such have no limit to the number of users that can take part. With a collective and more democratic approach based on sharing information and plans, we could dramatically change the way supply and demand are correlated in the market. This information revolution allowed by the digital would help us achieve much more ambitious goals than the adoption of VSS, such as zero-waste supply chains or incentivizing cross-sector exchanges.

Policy implications

The EU could consider the following, to uplift SMEs and direct them towards internationalization.

- There could be a consideration of the possibility of tax deductions for expenses incurred to obtain new sustainability certifications, so SME's don't feel the overburdened green transition.
- Adding a variable taxation rate for businesses, rewarding businesses that achieve the most certifications as a motivational tool.
- Shifting the business model of European SMEs towards a more sustainable model in a general context, which means, any new business could be complying to a standardized green accreditation rather than it being an option.
- Mandating getting accredited with basic green certifications and attending seminars that spread awareness regarding the same.
- It would benefit the EU greatly to reduce the bureaucracy for the certification acquisition process verification, so more businesses feel comfortable to get accredited rather than feel it is another line of work added to their business.

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