Building a better platform for international SME growth

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The challenge to improve global market participation and access to finance for SMEs is among a set of policy recommendations put forward in 2014 by the Business 20 (B20), which brings together the key business associations of the G20 countries. Designed to remove obstacles that SMEs are facing, initiatives include improving the transparency and availability of data on SMEs, which will help reduce the risk associated with lending to SMEs.

A realignment of the regulatory and capital market landscape to allow SMEs greater freedom to operate in global markets is a key element of change required. The development of tailored financial instruments such as loan guarantees as well as a review of transaction laws and the encouragement of equity finance will help provide a firmer footing for SMEs to operate more effectively.

Perhaps the biggest challenge is to support SMEs embarking on an international expansion programme. Access to local market information, protecting rights and compliance with international labour, social, environmental and quality standards can add to the complexity and costs SMEs face. Therefore, greater technical assistance and advice on how SMEs can deal with these issues is an essential plank in policy recommendations now on the table.

Importantly, the initiatives focus on collaboration and long-term economic growth. Championing the creation of a World SME Forum specifically set up to cope with some of the unique problems experienced by SMEs is another fantastic step in the right direction. Not only will the Forum act as a conduit to highlight what SMEs need, but it will also provide wider access to training programmes that specifically address the skills SMEs require.

Reforming the landscape in which SMEs operate is without doubt an ongoing process. New research, continued debate and participation in legislation and regulatory change, as well as the formulation and adoption of new financial tools that both harness and develop SME growth, should be welcomed. The more practical and public information that is made available on how the SME sector functions can only help to shed further light on the particular challenges they face.

One of the main challenges facing SMEs is the ability to participate in global markets. Access to global value chains is a crucial component of growth, yet many SMEs find themselves excluded. In particular, lending restrictions following the financial crisis have meant SMEs have seen access to finance curtailed, which has in turn acted to put barriers to entry.

Breaking barriers to inclusiveness

The challenge to improve global market participation and access to finance for SMEs is one of the key messages to come out of the 2008 financial recession was the need for business to focus on long-term economic growth and financial stability by adopting a business model that not only enhances performance, but also has a positive impact on society.

Small to medium-sized enterprises (SMEs) have been particularly hard hit by the weak economic environment. Yet employing more than 65% of the global private-sector workforce and accounting for 52% of total gross value added, SMEs deserve an increased level of support by government, trade bodies and trusted financial advisors on the particular challenges they face.

The SME sector functions can only help businesses, particularly SMEs, to cope with the impacts of a crisis and prepare for the next, but they also have an important role to play in raising awareness of the strategic challenges facing SMEs. Key to this will be having the will and expertise to promote and participate in effective regulation, trust and transparency, so that businesses have the capacity, on a global scale, to change for good.

Global lessons

Certainly, more in-depth analysis on the SME sector will help towards the formulation and adoption of high-level principles such as beneficial ownership transparency. Transparency around ownership and control of companies is a key issue in the battle against corruption, money laundering and tax evasion. Getting a consistent cross-border approach to beneficial ownership transparency, whereby there is agreement on benchmarking and compliance standards, will help simplify and reduce the burden experienced by businesses, particularly SMEs.

Governments, trade bodies and professional firms such as Mazars now have an important role to play in raising awareness of the strategic challenges facing SMEs. Key to this will be having the will and expertise to promote and participate in effective regulation, trust and transparency, so that businesses have the capacity, on a global scale, to change for good.

1. ‘The Association of Chartered Certified Accountants (ACCA)
2. Mazars’ survey – “How to be a standout SME”