Eurofound

Restructuring in SMEs: Belgium

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Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: information@eurofound.europa.eu - website: www.eurofound.europa.eu

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Introduction

Belgium, although small, is a powerful economy. Its national GDP attained €469.37 billion in 2010. However, its economy is also marked by an important gap between the regions of Wallonia and Flanders. As with other European states, SMEs represent major actors in the Belgian economy and are particularly affected by the global financial crisis. SMEs represent 66% of employment in the private sector, are responsible for creating 80% of jobs and 70% of the national GDP. The main problems they face are access to finance, dealing with state bureaucracy, and finding suitably qualified employees. There is also a drive to encourage more SMEs to internationalise.

With just over 11 million inhabitants and a territory of 30,000 km2, Belgium is a relatively small country. It is, however, culturally diversified and a major actor for European integration, as evidenced by the choice of Brussels as EU headquarters.

Political structure

Belgium has a complex political structure due to the division of the population between Dutch-speaking (Flemings), French-speaking (Walloons) and German-speaking Belgians.

It is a federal State organised on two main levels. Firstly, the three communities of Belgium, namely the *Vlaamse Gemeenschap*, the *Communauté française* and the *Deutschprachige Gemeinschaft*, are responsible for people and cultural-related issues such as education. The topic of this report does not fall within the remit of these Federal entities. Secondly, the three regions, namely the *Vlaams Gewest* (Flanders), the *Région wallonne* (Wallonia) and the *Région de Bruxelles-Capitale* (Brussels-Capital Region) are responsible for economic matters. Since the adoption of the special law of 8 August 1980 of institutional reforms, the Belgian regions are responsible for the placement of unemployed workers. Regions thus play a role in restructuring. The federal State is still responsible for different economic and social competencies, such as social protection, taxes and labour law.

The project of constitutional reform adopted in the autumn of 2011 foresees new transfers of responsibilities towards the regions, especially in social matters. This will have consequences on restructuring proceedings.

Economic structure

The economy of Belgium is mainly based on service industries, as the traditional industries (such as mining and steelworking) have been in decline since the 1960s (Naedenoen et al, 2010). The economy is also marked by an important gap between Wallonia and Flanders. This Dutch-speaking region, so long a rural territory, developed a powerful and modern industry (for example chemicals). This has consequences on issues such as the employment rate.

Such differences in economic situations and the existence of the federal system underline the fact that the issue of restructuring of SMEs must be studied with specific attention to regional data and available regional literature.

Belgium's national GDP reached €469.37 billion in 2010 (World Bank, 2010). Flanders represents almost 59% of this amount with Wallonia about 24% (L'expansion, 2010). Flanders' productivity is between 20%– 25% higher than that of Walloon.

There is a rich literature relating to the employment situation in Belgium. The national unemployment rate reached 7.2% in February 2012 (Eurostat, 2012). It appears from the unemployment rate figures that the Belgian job market has overcome the crisis better than other European countries. Indeed, between September 2008 and December 2009, the unemployment rate reached 29% while it reached 32% in the EU generally.

The employment situation is also different in the three regions. For a few decades, the unemployment rate has been higher in Wallonia and the Brussels-Capital region than in Flanders. In 2011, it reached 11.7% in Wallonia, 19.3% in Brussels-Capital region and 5% in Flanders, with a national average of 8.4% (Belgian federal government).

In the Belgian job market, the employment situation is relatively good for qualified and experienced people. However, there is a high level of unemployment for the young, older people or foreigners. This is true of all three regions but is worst in Wallonia and in Brussels-Capital region (Naedenoen et al, 2010). There is also an important lack of manpower in certain professions (Naedenoen et al, 2010). In 2010, there were about 300,000 vacant posts; however employers were having great difficulty in finding suitable candidates for 120,000 of these so-called ‘in need’ jobs. This constitutes a real challenge for public authorities as this lack can impede or limit SMEs’ expansion, as will be seen later.

Main characteristics of Belgian SMEs

As with other European states, SMEs represent major actors in the Belgian economy and are particularly affected by the crisis. SMEs represent 66% of employment in the private sector, are responsible for creating 80% of jobs and 70% of the national GDP (RTL Eco, 13 January 2012). In Flanders, SMEs account for 99% of companies (Onkelinx and Sleuwaegen, 2009). Approximately 83% of Belgian companies have fewer than ten employees and 97% have fewer than 50 workers (Pulignano, 2009). Some 59% of those SMEs are located in Flanders.

According to the final phase National Dossier of the ‘Joint Study on Restructuring in the EU’, small independent Belgian companies are amongst the most profitable in Europe (Pulignano, 2009). Generally speaking, the profitability of Belgian SMEs is higher than that of large companies.

Moreover, many Belgian firms are internationalised. The figures for these are:

- Flemish firms (47.2%);
- Brussels firms (40.6%);
- Walloon firms (38.9%).

The total value of Belgian exports reached €223 billion in 2006 with 6% of growth. At the same time, the total value of Belgian imports in the same year was €220 billion with a 7% increase. International trade is mostly carried out with EU partners (77% of the exports and 75% of the imports) (Onkelinx and Sleuwaegen, 2008).

According to another study, by Vlerick Leuven Gent Management School (VLG) (Onkelinx and Sleuwaegen, 2009), Flemish SMEs are more open to international exchanges than Walloon and Brussels ones. For instance, 7% of Flemish SMEs active in the manufacturing sector are also active at international level.

Belgian SMEs have also suffered from the crisis. Indeed, while in the rest of the EU the employment rate is higher for the SMEs than for large firms, it is the opposite in Belgium. In 2011, the employment rate grew by 0.9% for SMEs and by 1% for large firms. Moreover, the drop in employment mostly affects SMEs (Le Soir, 16 January 2012).

Restructuring as a topical issue

The research found several different studies on the restructuring of Belgian firms in general (among others, Pulignano, 2009 and Naedenoen et al, 2010). There is also a rich literature on SMEs, generally specific to the different regions. For instance, the VLG studies deal with Flemish SMEs. Moreover, studies carried out in Wallonia do not deal with Flanders. There has been a lot of press interest in the situation of SMEs in Belgium, particularly after the 2008 crisis (RTL Eco, 13 January 2012; L'Echo, 4 November 2011; Trends.be, 24 November 2011; tvbrussel, 10 January, 2011; 6minutes.be, 28 November 2011; and Unizo, 2009). Moreover, even if it does not concern SMEs, the restructuring of large firms and the management of social conflict is a recurrent media topic (for example, issues with ArcelorMittal, Opel, Renault or SNCB).

This underlines that Belgian public opinion is concerned with the economic health of its companies, including that of its SMEs.

Relevance of different types of restructuring for SMEs

The European Restructuring Monitor (ERM) generally considers the following types of restructuring:

- relocation;
- outsourcing;
- offshoring/delocalisation;
- bankruptcy/closure;
- merger/acquisition;
- internal restructuring;
- business expansion.

The research analyses the available literature in the light of the above events for the purpose of this report.

While reviewing the available literature, by the type of restructuring event, the authors noted that there is no literature specifically dedicated to mergers and acquisitions. This is why the information gathered from the case studies, notably that of 'Foodstuff Company' and that of Cinoco Group, is relevant.[1] The information given by Gilles Nolet de Brauwere van Steeland, General Manager of the Cinoco Group, is especially relevant for the report as Mr Nolet was in a position to provide useful comparisons between mergers and acquisitions for large companies and small/family companies. Despite the fact that the Cinoco Group does not formally qualify as an SME due to ownership relationships with a larger firm (in fact, it remains a family business that acts as if it were a SME), this case was felt illustrative enough to be included in this report.

Relocation

As Belgium is a typical 'small' country, relocation (that is relocating within national borders) is not a common occurrence. Most available literature is therefore about delocalisation, that is, relocating outside national borders (see below). One piece of interesting evidence here is an interview with Professor Marcus Dujardin who teaches macroeconomics at the Catholic University of Louvain. According to him, the recently adopted project of state reform could affect internal relocations. According to him, Namur, the capital city of Wallonia, could benefit from greater autonomy, which will increasingly attract administrative authorities and other public bodies to move there from Brussels and from the country's other francophone cities (Trends.be, 23 February 2012). Although he does not mention this in the interview, it can be inferred from this that this increased number of public authorities in Namur could attract more SMEs, notably those who provide expert advice to public authorities such as law firms.

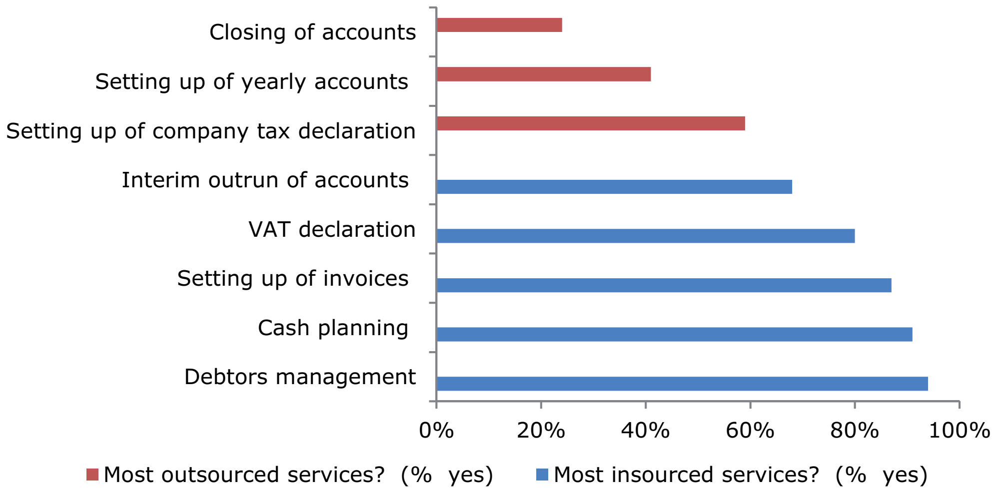
[1] All case studies from the SMEs in restructuring project are available on the Eurofound website at **http://www.eurofound.europa.eu/emcc/labourmarket/restructuringsme.htm**

Outsourcing

There are interesting pieces of specific evidence with respect to outsourcing practices within SMEs in Belgium (Flanders specifically).

Although slightly outdated (2005), the Universiteit Gent and the Lessius Hogeschool carried out a study to assess if SMEs in Flanders outsource accounting services and, if so, to what extent (Everaert et al, 2005). The study covers SMEs as defined for the purpose of the current study (EU definition), but it excludes micro-enterprises, namely those SMEs with less than ten employees. It appears from this study that, overall, SMEs in Flanders do not outsource accounting services, most of these services being performed within the company. A split of 'accounting services' into eight different types of services brings some nuances to this statement.

Figure 1: *Outsourcing vs. insourcing of accounting services in Flemish SMEs*

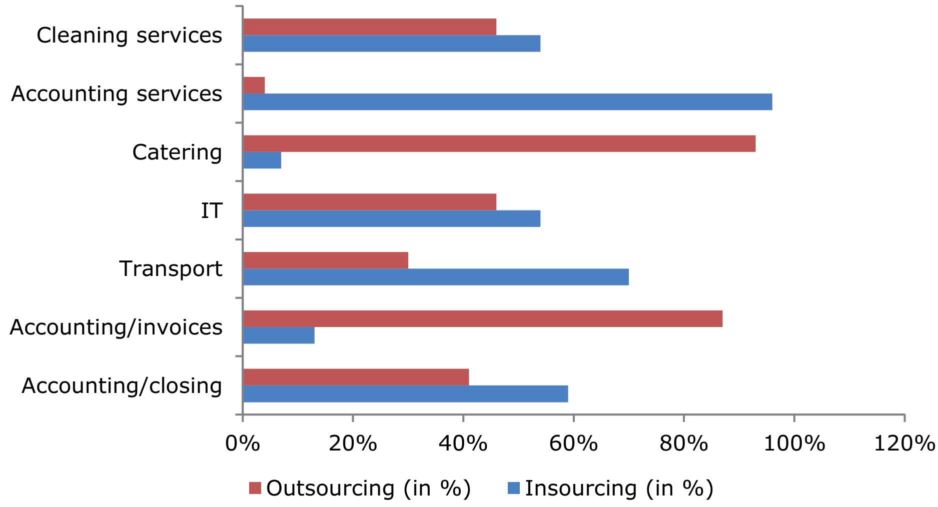


Source: *(Everaert et al,2005)*

It appears that the type of accounting services most likely to be outsourced by Flemish SMEs are those requiring a certain level of specialisation (such as tax accounting and auditing).

The same study makes a comparison of the outsourcing of these services with the outsourcing of other services by Flemish SMEs, which provides some insight for this report.

Figure 2: *Outsourcing vs. insourcing of other services by Flemish SMEs*



Source: *(Everaert et al, 2005)*

However, the report by Everaert et al does not draw conclusions from these figures.

Offshoring/delocalisation

According to a relatively outdated study (2000), it is unlikely that independent SMEs (that is, not belonging to a larger group) move; only those belonging to a larger group – thus not qualifying as SMEs for the purpose of the study – are likely to move (Federaal Planbureau, 2000).

We found one piece of literature on the issue of delocalisation of Belgian companies in general (Debaere, 2005). The issue of SMEs' delocalisation is marginal in this report, although the author carries out an interesting case study on the delocalisation of a Flemish SME. The case study is as follows (free translation):

> *Metakor is a West-Flemish SME active in the metal sector and a member of Agoria.*[2] *The company produces metal grips for kitchen furniture and for classic pieces of furniture. The company exports 90% of its products, mainly to the UK, France, Germany, Spain and Australia. The turnover in central Europe increases by 50% on a yearly basis (Poland, Romania, Belarus and Ukraine).*
>
> *Metakor is based in Kortrijk, where it was founded. Over the last seven years, the plant was increasingly automated so that the number of workers fell from 140 to 70. This caused the turnover to increase. However, it was decided to base production elsewhere because labour costs were still too high.*
>
> *Metakor went into a joint-venture with a Chinese company, in which it has now secured a controlling share (de touwtjes in handen). The production in China now represents 20% of Metakor's turnover and is expected to grow up to 50%. Should the company not have made this choice, it could have gone bankrupt. It is also thanks to the Chinese deal that the company can keep its plant in Heule (Kortrijk).*
>
> (Debaere, 2005).

[2] Agoria is the federation for the technology industry in Belgium. For more information please refer to: **http://www.agoria.be**.

It appears from the above that there are some SMEs in Belgium who perform offshoring/delocalisation, but the available literature is scarce and general conclusions cannot be drawn from it.

Bankruptcy/closure

Bankruptcy consists of restructuring by closing activities that are not profitable. In Belgium, bankruptcy is a federal matter covered by the law of 8 August 1997 (Ashurst, 2011). Its provisions concern all types of business companies, including SMEs.

Three conditions must be met in order for this law to apply. First of all, the company must be ruled by commercial law. This means that it does not apply to companies having a ‘civil’ nature, such as law firms. Secondly, it must be in a situation of cessation of payment (*cessation de paiement*), meaning it has become impossible for it to pay its creditors. Thirdly, the company must undergo a state of credit weakness (*ébranlement du crédit*), meaning it does not have sufficient credit anymore for paying creditors.

The bankruptcy is pronounced by judgement upon request of company manager, creditors or the court itself. The judgement determines the date of cessation of payments. It is usually the same date as the judgment’s one, but not always. After the opening of a bankruptcy procedure, creditors have 30 days to declare their claims, which are then verified by a trustee in bankruptcy (*curateur*). A formal report is finally drafted. The company is then liquidated and the proceeds are distributed to the creditors according to their rank.

The number of bankruptcies is relatively high in Belgium because of the crisis. Indeed, and according to Creditreform, the number of bankruptcies in 2011 reached 10,182, a rise of 6.39% compared with 2010. It appears from Creditreform’s data that the commerce sector was particularly affected by bankruptcies, with an increase of 46.7% in 2010 and of 45.8% in 2011. It is still a sector where SMEs are particularly active, so it can be assumed that SMEs represent a large part of these figures, although they are not specifically pointed out by Creditreform.

The latest data from the Belgian Ministry for Economics confirm the trend by showing that, in March 2012, 966 companies were declared bankrupt in Belgium:

- 51% were Flemish;
- 29.5% were Walloon companies;
- 19.5% companies were established in the Brussels-Capital region (SPF Economie, 17 April 2012).

Of these bankruptcies, 18.7% concern sole proprietors (*independents*) and 61.6% limited liability private companies (SPRL), which is a very common legal form for SMEs in Belgium.

The *Fonds des Fermetures des Entreprises* (FFE) provides for updated statistical data on bankruptcies in the whole country (**http://www.rva.be**). Data are classified by:

- region;
- sector;
- size of the company;
- company form.

It is thus possible to breakdown bankruptcy figures by company size in Belgium, as the figures above illustrate it.

Mergers and acquisitions

The research did not find any literature, either in French or in Dutch, on mergers and acquisitions of SMEs in Belgium. Nevertheless, the following interesting information was found.

Following a survey carried out by the International Business Report (IBR) in the last quarter of 2010, numerous Belgian SMEs are expected to grow by means of mergers and acquisitions in 2011, 2012 and 2013 as reported by the management consulting company Grant Thornton België NV. Some 37% of the interviewed SMEs were expected to take part in a merger or acquisition in 2011, which is above the world average, standing at 34%, but below the EU average, standing at 40%.

Internal restructuring

Belgian companies face the problem of an ageing population. In Belgium, as everywhere else, the baby boom generation is now close to retirement. For instance, within the next ten years, 28% of Belgian companies, including SMEs, will face the challenge of trying to find a successor (Lambrecht and Naudts, 2007).

Business expansion

A study carried out by the European Commission in 2010 about the internalisation of European SMEs shows that 50% of Belgian SMEs with international presence make profits.

The VLG study of March 2008 (Onkelinx and Sleuwaegen, 2008) confirms these data and demonstrates that one way for SMEs to expand their business is to internationalise. Such internationalisation can take different forms.

- Importing is the most common mode for SMEs to internationalise. In this regard, 45% of Belgian SMEs import (the European average, based on 19 countries, is 30%).
- Exporting is a relatively easy way to internationalise. About 25% of Belgian SMEs export, which is still low in comparison with countries such as Lithuania (46%) or Luxembourg (38%) (Onkelinx and Sleuwaegen, 2008).
- Foreign direct investment, common among major firms, is rarely used by SMEs because of financing constraints.
- Licensing, concessions and franchising are common for SMEs, but the study does not give detailed data on how SMEs develop these practices.

According to Onkelinx and Sleuwaegen, a majority of SMEs interviewed indicated an increase of exports during 2006–2008 with 60% of them expecting an increase in foreign sales for the coming years. Only 5% expected a decrease in these sales (Onkelinx and Sleuwaegen, 2008).

A PWC study carried out in 2011 relating to the competitiveness of SMEs within the ‘Grande Région’, that is the trans-national region composed of Wallonia, Luxembourg, Saarland, Lorraine and Rhineland-Palatinate, identifies product diversification, geographic expansion and increased technology as important factors for SMEs to cope with changing market conditions, globalisation and the economic crisis. This study shows that business expansion can be a relevant way for Walloon SMEs to restructure. These conclusions are confirmed by a new study ordered by Wallonia and carried out by McKinsey which explains that Wallonia’s openness to world trade should be developed in order for its businesses to maximise profits.

Moreover, it appears from a study ordered by the General Direction for Economics of the Walloon Public Service (*Direction de la Politique Economique*, SPW) that internationalisation is a real opportunity for Walloon SMEs to develop their businesses. Besides, SMEs that develop their businesses solely in Belgium are just 35% as likely to be profitable as those that internationalise. Imports represent 55.3% of Walloon GDP, which is greater than the European average (Service public de Wallonie, October 2008).

It underlines that the strategic position of Wallonia in Europe is an asset for the future of its SMEs (Le Soir, 27 April 2012).

Drivers of restructuring

From the literature overview, several drivers pushing Belgian SMEs to restructure were identified.

Globalisation, reorganisation of value chains and increasing competition

Globalisation and the opening up of markets can be an opportunity for SMEs. Indeed, SMEs investing abroad are the ones being the most profitable (Dhyne et al, 2011).

According to the VLG study of May 2009 (Onkelinx and Sleuwaegen, 2009) on the internationalisation of Flemish SMEs, there are different internal and external reasons for Flemish managers to internationalise their businesses. Internal reason can include:

- seeking a competitive advantage;
- available production capacity;
- unsold capacity.

External reasons include the existence of advantageous foreign country regulation or the increasing market competition in their home country.

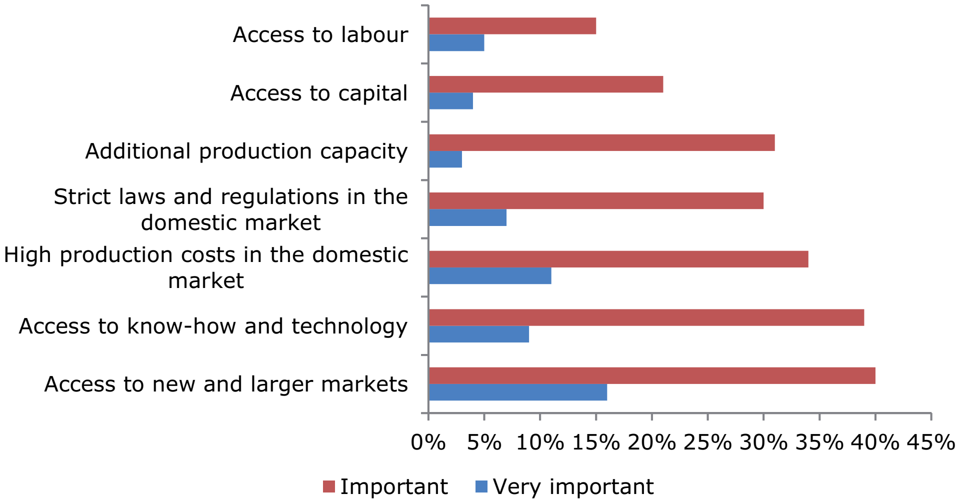
The VLG study of March 2008 gives more details of the drivers for internationalisation. According to a survey on Belgian SMEs:

- 56% of them considered that the main reason is the access to new and larger markets;
- 48% cite the know-how and technology in foreign markets;
- 45% mention the high production cost in the domestic market (45%).

It can be deduced from this that the reasons for SMEs to internationalise are largely external.

Motives for Belgian SMEs to internationalise (before the crisis)

Figure 3: *Motives for SMEs to internationalise (survey of Flemish SMEs)*



Source: *Onkelinx and Sleuwaegen, 2008*

A study on internationalisation of businesses in the chemical and life sciences sector in Flanders (Lambrecht and To, 2009)[3] highlights the principal motives to internationalise:

- the Belgian market is too small to be profitable (57% of the undertakings);
- a desire to expand their business (56%);
- following customers abroad (30%);
- access to new markets (30%).

Privatisation, liberalisation of markets and public sector restructuring

Liberalisation of markets under European law gives SMEs the opportunity of becoming more profitable. According to a study carried out in 1999 by the ENSR Enterprise Survey, only 30% of European SMEs are aware of how they can benefit from access to liberalised markets. As far as Belgium is concerned, according to the sixth report of the European Observatory for SMEs, numerous Belgian SMEs can benefit from those opportunities (The Observatory for European SMEs, 2000). It can therefore be inferred from this that liberalisation of markets and privatisations and new business opportunities they entail are drivers for SMEs to restructure.

Technological progress, changed supply and demand markets

According to a study carried out by PWC about the profitability of SMEs in the 'Grande Région', (and thus valid for SMEs located in Wallonia), innovation is the key to overcoming economic difficulties. Although we do not find literature specifically about this, we can infer from PWC's study that the need for innovation pushes SMEs to restructure among other things.

Demographic changes

Demographic change is definitely a driver for restructuring as numerous managers from the baby boom generation are expected to retire soon, in Belgium, as elsewhere. A study carried out by the Enterprise and Industry Directorate-General for the European Commission indicates that 21,500 businesses are expected to be transferred each year in Belgium, including 8,000 in Wallonia (Enterprise and Industry Directorate-General, 2006).

Management and lack of expertise

Poor management can be a reason for restructuring. SMEs are particularly fragile in this field and can suffer sometimes from their managers' poor level of knowledge about how to run a company.

Moreover, the PWC's study identifies the lack of qualified human resources/work force as a recurrent problem for SMEs in the 'Grande Région' (thus also in Wallonia) (PWC, 2011). In this respect, SMEs are thus in a more disadvantageous situation compared with larger firms, as is the case in other Member States.

[3] Please note however that this study is not limited to SMEs only and that a small percentage of the interviewed companies, (1% to 9%) does not relate to SMEs. As the bulk of the interviewed companies (91%–99%) relates to SMEs, we nonetheless believe the study is relevant. Although 78% of the companies studied have fewer than 10 employees, 13% have between 10 and 49 employees, 8% between 50 and 499 employees and only 1% more than 500 employees. Consequently, the figures and numbers in the study can be representative for the study in question.

Lack of specific expertise may also be viewed as a driver for SMEs to restructure (outsourcing some services, for example). As far as outsourcing of accounting services is concerned (see study of the Universiteit Gent and the Lessius Hogeschool mentioned above), the reason why Flemish managers of SMEs outsource accounting services are:

- trust in specialists (such as tax advisors, tax lawyers, auditors);
- the technological complexity of the service.

They believe they are better served by externalising the more sophisticated services than by internalising them (Everaert et al, 2005).

Specific drivers for mergers and acquisitions of Belgian SMEs

Finally, it appears from findings from the International Business Report (IBR) that the main drivers for Belgian SMEs to carry out mergers and acquisitions in 2011, 2012 and 2013 are as follows (Grant Thornton, 2012):

- economies of scale (66%);
- geographic extension (66%);
- access to new technologies (46%);
- acquisition of strong brands (46%).

In SMEs, mergers and acquisitions may be driven by the individual/personal preferences of key persons, as illustrated by the Cinoco Group. The acquisition, by the Cinoco Group, of Le Palais du Vin, a rival company, was triggered by several events, including:

- personal preferences of the general manager resulting from his background in finances and in business development, including his own vision; his own openness to identify and make such a move; and his own excitement derived from accomplishing the restructuring process;
- willingness to expand externally, by doubling one's size;
- the 'once-in-a-lifetime' aspect of the transaction, resulting essentially from the fact that the acquired company was close to the headquarters of Cinoco S.A. and that the premises of Cinoco were sufficiently large to accommodate Le Palais du Vin's own stock.

Specific drivers of outsourcing

One piece of specific evidence regarding outsourcing of part of non-core activities abroad, namely IT services, was identified. According to the general manager of Bluecorp, a Belgian IT company offering outsourcing of IT services, its clients, including communication agencies and SMEs, use the services of Bluecorp – thus outsourcing their IT services (in Si Lanka) for several reasons (*Lalibre.be*, 10 April 2011):

- cost reduction;
- lack of IT managers on the Belgian market;

- delegation of some parts of some projects abroad;
- HR policy.

With respect to HR policy, it is interesting to note that Bluecorp identifies the ‘lack of career development perspective for Belgian IT managers’ as a reason why SMEs specifically outsource IT services.

Distinctive characteristics of restructuring in SMEs

Anticipation and planning

According to the VLG study of March 2008 (Onkelinx and Sleuwaegen, 2008), there is no unique way for Flemish SMEs to prepare for the penetration of foreign markets. Similarly, the research did not find equivalent pieces of literature in French or for Walloon SMEs.

According to the May 2009 VLG study concerning internationalisation of Flemish SMEs, it is reported that, among the strategies chosen by Flemish SMEs in general (Onkelinx and Sleuwaegen, 2009), 57% of the surveyed SMEs mention opting for a marketing differentiation strategy.

In the study on internationalisation in the chemical and life sciences industry in Flanders (Lambrecht and To, 2009), the majority of the undertakings in this particular sector are 'born globals', because they started their international activities within three years of starting up. It is typical for these companies to be active in a niche market or in a market that is naturally global: their potential on the domestic market is very limited. Therefore they need to explore other markets to be profitable. Some 93% of the undertakings in the chemical and life sciences industry combine at least two types of the following activities:

- export and import;
- production;
- research and development;
- licensing technology; and
- management, marketing and advice.

The most common international activities among businesses in the chemical and life sciences industry are exporting and importing. Direct export (export without an intermediary) occurs in approximately 75% of the businesses and 70% of businesses import. The majority of these transactions occur with Belgium's neighbouring countries Germany, France and the Netherlands.

The case studies reveal that planning and anticipating mergers and acquisitions is not always carried out well. The acquisition of Le Palais du Vin by the Cinoco Group followed a clear plan with a well defined structure. First, the general manager started to look for external growth. When the opportunity arose, the negotiation process followed common practice (for example, letter of intent, due diligence and parallel negotiations). The general manager's own international experience came in very useful in carrying out such a process, notably with respect to the identification of potential synergies between the two companies. This case study may usefully be compared with that of the 'Foodstuff Company', where successive mergers and acquisitions were less well planned.

Management of restructuring

Legal framework

The Belgian legal framework provides different ways for a business to restructure and avoid bankruptcy. It has been modified by the law of 31 January 2009 relating to business continuity (*loi du 31 janvier 2009 relative à la continuité des entreprises*). This allows a company in temporary difficulties to restructure under the judicial authority in order to avoid bankruptcy (Verougstraete, 2010). Although the information provided below is relatively theoretical, it is nonetheless relevant as business continuity measures are widely used by practitioners in Belgium.

Reorganisation by amicable settlement under court supervision

This agreement can be made with at least one of the company's creditors. Only the contracting companies are bound by the agreement, should an agreement be reached. Negotiations aim to reach an agreement that allows repayment of creditors taking into account the financial difficulties it is facing. Once agreed, the settlements are presented to the court and the moratorium ends. It is part of the agreement that, during the enforcement of the settlement, no legal action is possible against a debt. This is covered by Article 43 of the law of 31 January 2009 relating to business continuity.

Collective agreement

A collective agreement can be proposed by the company and adopted by the creditors. It can contain different measures such as the modification of the payment terms. To be adopted, it has to be approved by a majority of creditors representing at least 50% of the total amount of debts. Once approved, it is sanctioned by the court and the moratorium ends. This is covered by Articles 44–58 of the law of 31 January 2009 relating to business continuity.

Transfer of the enterprise under court supervision

The court can order the transfer of all or just some parts of the business with or without the consent of the company at the request of any interested party if:

- the business company is bankrupted;
- a reorganisation procedure has failed.

The court then appoints a judicial agent to implement such a transfer. This process is also covered by Article 43 of the law of 31 January 2009 relating to business continuity.

Managing 'innovation' in Flanders

The study carried out by VLG in 2007 provides some insight into the planning and management of 'innovation' for large companies and SMEs. (This information, however, needs to be looked at carefully because, out of the six companies studied, only one actually qualifies as an 'SME' as defined for the purposes of this report. This SME is called '*Organisatie Meubel*', is active in the loan of furniture for fairs, seminars and other events (logistics), and has fewer than 50 employees. Two of the others, *Organisatie Energie* and *Organisatie Multimed*, have between 100 and 500 employees, and the remaining three are large companies with over 500 employees.

The study defines 'innovation' broadly, namely technological innovation, but also:

- new products;
- new ways of managing clients;

- new ways of classifying existing technologies;
- new ways of working with partners;
- collective effort to develop (‘*gemeenschappelijke aandacthsgebieden te ontwikkelen*’) (Devos et al, 2007).

According to this study, there are substantial differences as how the interviewed companies anticipate and manage innovation. The importance of control over the innovation process varies greatly, from various well identified stages of restructuring for the large companies to a free, informal and non-structured process for the smaller ones (especially so in the case of Organisatie Meubel). The innovation process of Organisatie Meubel is described as follows (free translation):

> *Meubel has a non-structured and informal innovation process. The managers perform a cost-benefit analysis and decide, on the basis of it, which projects deserve priority. The projects can sometimes be split into different sub-projects, coupled to a timetable. There are no ‘gates’ or phases set up but these are taken into account implicitly.*
>
> (Devos et al, 2007)

It appears from this case that restructuring of SMEs is mostly informal, especially if compared with restructuring within large companies.

Managing mergers and acquisitions

Although we do not find specific literature on managing mergers and acquisitions for SMEs, the Cinoco Group case illustrates that managing this type of restructuring may be very structured. The process of acquisition of Le Palais du Vin by the Cinoco Group included the following steps.

- November 2007: Management, who were seeking external growth, were informed of the fact that Le Palais du Vin was subjected to an offer for acquisition and therefore issued a letter of intent;
- From January 2008: Negotiation with counterparties and banks, which went quite well (no substantial issue to report due to the excellent reputation of the company and due to the excellent track records of the Cinoco Group for the years 2004–2008);
- July 2008: Finalisation of the transaction;
- Early 2009: Recruitment of an employee, external to both companies, as being responsible for customer services, notably in charge of integrating activities (‘erasing borders’ between the two companies, ensuring that employees from both sides develop a common company culture);
- February 2009: Arrival of La Maison du Vin’s employees at Cinoco’s premises;
- From May 2009: Launch of integration.

External and internal communication was also structured. The management was open with employees as soon as confidentiality of negotiations was lifted, notably by organising regular information meetings. Communication with partners, clients and suppliers also occurred at this point, by using press releases and, most importantly, by sending letters to each external party, co-signed by Cinoco and Le Palais du Vin.

Mr Nolet de Brauwere van Steeland insists that the small size of the firm facilitated the whole process: it allowed for a rapid gathering of company-related information when needed, as well as a rapid diffusion of information. The absence of strict and formal reporting lines, apart from reporting to the board of directors, is also viewed as a facilitating factor.

Actors involved

Restructuring procedures involve three kinds of actors: the employers' representatives, the employees' representatives and the public authorities (Naedenoen et al, 2010).

Employers' representatives

Belgian employers are represented by sector federations grouped together in the Federation of Belgian Enterprises (*Fédération des entreprises belges/Verbond van Belgische Ondernemingen*). The organisation says it has 30,000 businesses as members, including 25,000 SMEs. This organisation is active both in industry and service sectors. The FBE works with the three regional employers' organisations:

- the Voka in Flanders (Vlaams Economisch Verbond);
- the UEW in Wallonia (Union des Entreprises Wallonnes);
- the BECI in Brussels.

These three organisations have SMEs as members but there are no specific data about their proportion. Two smaller associations representing SMEs in particular are gaining importance in the social dialogue: the Flemish UNIZO and the French-speaking UEAPME (Pulignano, 2009). The first one is present in Flanders; the second in Wallonia and both of them are active in the Brussels-Capital region.

From that, it appears that SMEs are relatively well involved in the employers' representation and that they represent a significant presence in social dialogue.

Employees' representatives

There are three main workers' unions in Belgium, namely the liberal CGSLB, the socialist FGTB and the Christian-Democratic CSC. Their high membership rates give them an important role in negotiating restructurings (MIRE, date unknown). Representation of workers within the company takes different forms.[4]

The trade union delegation was created by the collective bargaining agreement No. 5 of 24 May 1971. It represents the trade unions and is a key body in social negotiation. It is compulsory in all companies with more than 50 workers. This high threshold prevents small businesses from taking part.

The business council was created by the law of 20 September 1948. Its creation is compulsory for each company with at least 100 workers. It is also an obligation for companies with at least 50 workers that if they had a business council before restructuring, then they must keep it, even though the number of their workers has dropped below the threshold.[5] This business council comprises employers' and workers' representatives. Representatives are elected for a four-year term. The last election was held in May 2012.

[4] Besides other committees that are not directly relevant for the purpose of the present report, such as the Accident Prevention and Safety at Work Committee.

[5] SPF Emploi, Travail et Concertation sociale, see: **http://www.emploi.belgique.be/defaultTab.aspx?id=525**.

Public authorities

Different public authorities are involved in restructuring proceedings due the federal structure of the Belgian state. The Federal Public Department for Employment, Labour and Social Consultation is the public service responsible for business company restructuring and it therefore manages social negotiations. Regional authorities are also involved in those proceedings. Indeed, Belgian regions are responsible for helping unemployed workers to find new jobs. Those three public bodies are:

- the FOREM in Wallonia;
- Actiris in the Brussels-Capital region;
- the VDAB in Flanders.

They look after workers, no matter the size of the company they come from, including, therefore, those from SMEs.

Moreover, a special focus is offered by those regional institutions to SMEs. For instance, in its advisory mission, ACTIRIS separates firms according to the number of workers. Companies with fewer than 100 employees benefit from measures specific to small companies, such as in the case of collective dismissal.

Legal framework regarding anticipating and planning restructuring

General provisions concerning workers' protection

As labour law is a federal responsibility, these provisions apply to all three regions. There are different laws providing for workers' protection in Belgian SMEs, but they vary according to company size.

Businesses employing of between 50 and 99 workers

The integration in Belgian law of Directive 2002/14/EC provides obligations of information and consultation with the workers' representatives for such SMEs.

First of all, under the law of 23 April 2008, if the company has neither business council nor trade union delegation, the employer is required to give some information (for example, information on accounts, market conditions and so on) to the Accident Prevention and Safety at Work Committee.[6] Furthermore, the employer is obliged to consult the workers' representatives about all social issues.

Second, in case of investment in new technology that will affect at least 50% of the workforce (or a minimum of 10 workers) the collective bargaining agreement No. 39 of 13 December 1983 obliges the employer, not only to inform the employees' representatives, but also to consult them.

Businesses employing less than 50 workers

Generally speaking, the employers' obligations are less binding in these firms than in companies with more employees.

[6] The Accident Prevention and Safety at Work Committee is compulsory for companies with more than 50 workers. It aims to protect workers' welfare within the company. As with business councils, the high threshold means it includes SMEs but not the majority of them.

For instance, (with the exception of the mining sector), there is no obligation to establish a business council or an Accident Prevention and Safety at Work Committee. There are still some obligations about information and consultation, but only in case of collective lay-offs[7] as detailed below.

The temporary layoffs of blue collar workers for economic reasons

According to the law of 3 July 1978 relating to employment contracts, an employer can suspend the employment contracts of its blue-collar workers when economic difficulties justify it. This suspension can be for up to a maximum of four weeks. After this period, the employer is obliged to reinstate the worker for at least seven days unless the company's Equal Representation Committee authorises a longer duration. This period of non-activity is financed by the public authorities (National Employment Office) (Naedenoen et al, 2010).

The collective reduction of working hours

This proceeding is often used in case of economic difficulties in order to avoid collective dismissals (Naedenoen et al., 2010). The Belgian state supports such a measure because it is better than a collective dismissal. Hence, the Royal Decree of 16 May 2003 provides for a reduction of social security contributions for companies that choose this way of anticipating economic difficulties in order to avoid collective dismissals. This reduction must be of at least one hour per week or take the form of a four-day week.

Legal framework concerning the management of restructuring

Restructurings often have consequences for the workforce. There are different legal provisions to protect them.

Belgian labour law distinguishes between collective lay-offs, and restructuring without collective lay-offs. The obligation to inform the workforce and negotiate with them is compulsory only in the former.

The collective lay-offs procedure is provided for by the collective bargaining agreement No. 24 of 24 May, 1971. In order for a company to benefit from a collective layoff procedure:

- the company must employ, on average, over 20 workers over the course of the calendar year preceding the collective layoff;
- the lay-off must not be motivated by personal reasons;
- the lay-off must affect a minimum number of workers over 60 days;
- for businesses that have between 20 and 99 workers, the lay-off must involve at least 10 people;
- for businesses with 100–299 workers, the lay-off must involve at least 10% of the workers employed.

The employer must notify the workers' representatives, in order to allow them to formulate their response. At this time, the consultation period begins. There is no obligation to find an agreement with the social partners. At the end of the period, the employer informs the director of the sub-regional employment department of the region in which the business is located. This information must be accompanied by proofs that the aforementioned procedure has been respected. Since the act of 7 June 2009, on the implementation of crisis measures the employer must also inform the Federal Public Department for Employment, Labour and Social Consultation. After that, the employer must respect a 30-day period before lay-offs become effective.

[7] Supra, p. 5.

This agreement is completed by the law of 13 February 1998. It is called the 'Renault law' because it was adopted by Belgium after the French car company breached the previous regulations. It enshrines the collective bargaining agreement No. 24 of 24 May 1971 and imposes civil sanctions in the case of violation. The decree provides an opportunity for workers' representatives to appeal, within 30 days of notification, against the decision to dismiss workers.

There is no obligation under Belgian law to develop a social plan in the case of restructuring (MIRE, date unknown). However, labour law does provide for the reimbursement of the employer and employee social contributions. This makes it more financially advantageous for companies to employ redundant workers. This provision benefits all companies, including SMEs. SME workers have therefore some guarantees in case of restructurings that cause job losses.

Other obligations

The Cinoco Group case illustrates that obligations other than those under social/labour law may need to be respected for restructuring. The personal professional experience of managers may facilitate compliance with these obligations. Indeed, no social negotiations took place during the process of acquiring Le Palais du Vin due to the absence of a works council within the Cinoco Group (the thresholds triggering such obligations not being met either at Cinoco or at Le Palais du Vin.). The Cinoco case illustrates that, besides obligations under social or labour national law, numerous legal obligations may have to be met by small and medium companies, for example those applicable to transfer of activities (*transfert de branche d'activité*) under Belgian company law, such as announcements and letters to all employees (or the announcement of the transaction in the Belgian Gazette). This was well done through an open and transparent communication to all workers of both companies, right from the start, which played a positive role in the restructuring process.

Main challenges and constraints facing SMEs in restructuring

Generally speaking, in restructuring, SMEs face difficulties specific to their small size, informal structure and their managers' lack of knowledge in this area.

Administrative burdens on SMEs

According to a study by the European Commission in May 2004, relating to the extensive burdens on SMEs and mentioned by Wallonia in a note of October 2010[8], the cost of administrative burdens represents, for Belgian small enterprises, €4,723.16 per worker. This amount reaches €1,879.91 per worker for medium enterprises, while it is €661.27 for big firms. This shows that administrative tasks are more expensive for SMEs than for large firms, although this is not necessarily linked with restructuring. The PWC study confirms this finding: it indicates that 55% of SME managers established in the 'Grande Région', which is thus also valid for Wallonia, think that the administrative burdens are too heavy (PWC, 2011). The available literature does not demonstrate a direct link between this administrative burden and a barrier to profitability; nevertheless, it is a burden for managers and a waste of time, especially during restructuring processes, as the case studies illustrate.

Lack of manpower

Restructuring can bring some changes within the workforce and can also lead to the hiring of new employees. The PWC study says the lack of a suitable workforce is an issue for 55% of SME managers in the 'Grande Région', with 78% of Wallonian SME managers feeling the same way, which is surprising, considering the unemployment market situation in Wallonia (PWC, 2011).

Lack of funding

The Belgian economy suffers from the paradox that, although Belgium is one of the European countries where citizens save the most, companies and SMEs in particular have great difficulty in getting funding from banks. According to the SDZ, the Union of Independents and SMEs (*Syndicaat van Zelfstandigen and KMO*), one of the reasons for this is the extinction of purely Belgian banks. This means that savings deposits are redirected to a bank's home country. For instance, in the case of Dexia, Belgian money was used to finance the French economy.

Moreover, it appears from a paper prepared by the *Institut Wallon de l'évaluation, de la prospective et de la statistique* (IWEPS) that banks are less willing to support projects put forward by small and very small enterprises (fewer than five workers). This is because:

- these projects are less profitable;
- the companies are less structured.

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[8] Service Public de Wallonie (2010), *Aperçu du positionnement de la Wallonie en termes de création d'activités, d'entreprenariat et dans certains domaines d'activités pour la compétitivité des PME*, Direction de la Politique économique, Octobre 2010.

[9] See: **http://www.sdz.be/node/5007**.

The study views this situation as problematic, as successions within the family circle are les numerous and managers look for external successors. According to the study, it is definitely a challenge for public authorities to ensure the continuity of those small businesses.

Difficulties in internationalising

According to a study carried out by De Chiara and Minguzzi (cited in Onkelinx and Sleuwaegen, 2009), the size of SMEs is not in itself a weakness in the internationalisation process. The specific difficulty they face is their limited financial resources.

Export barriers

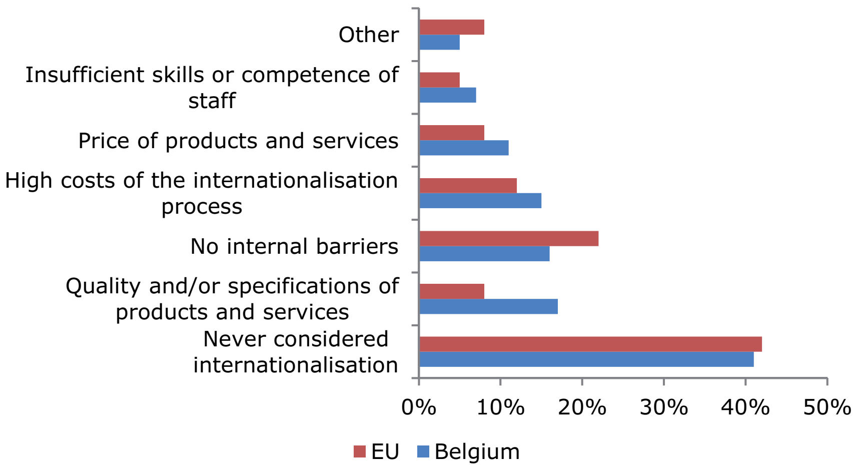
A study for Vlerick Leuven Gent management school details the specific barriers for Belgian SMEs to internationalise and distinguishes between internal and external barriers (Onkelinx and Sleuwaegen, 2008). A study carried out on Belgian SMEs managers underlines their main concerns as seen in Figures 4 and 5 (European Commission, 2004).

Main internal barriers are seen as:

- the quality of product (17% of managers);
- high cost of internationalisation (15% of managers).

However, it must be noted that 16% of managers of Belgian SMEs consider that there are no internal barriers for restructuring. This shows that the perception of internationalisation is not uniform within Belgian SMEs.

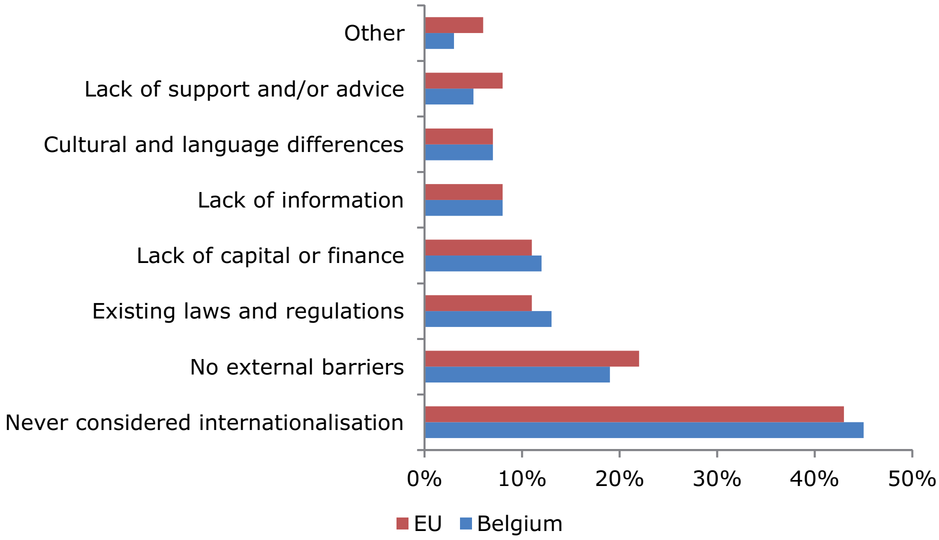
Figure 4: *Export barriers for SMEs in Belgium (internal barriers)*



Source: *European Commission (2004)*

Concerning the external barriers, 13% of SMEs mention the burden of law and regulation and 13% the lack of capital (Onkelinx and Sleuwaegen, 2008). Some 8% of Belgian SMEs say there is a lack of information about internationalising and 5% say there is a lack of support.

Figure 5: *Export barriers for SMEs in Belgium (external barriers)*



Source: *European Commission (2004)*

In a 2009 study, about the chemical and life sciences industry (Lambrecht and To, 2009), companies also point to the high labour costs in Belgium as a stumbling block for export. Other challenges are their workers' lack of skills and the fact that they cannot find a suitable partner on the foreign markets.

Barriers to innovation

A 2007 study by Flanders DC and the Vlerick Leuven Gent Management School also identifies a series of barriers that companies, including SMEs, face when innovating in Flanders. Some are more SME-specific than others (Devos et al, 2007):

- time pressure (affects all companies, not just SMEs);
- lack of financial resources for innovation (affects all companies);
- lack of personnel (affects all companies);
- numerous 'systems and procedures' to negotiate (especially for SMEs);
- people's pessimism;
- protection of intellectual property (IP) rights;
- internal organisation and communication problems;
- law and regulation.

It appears from this that 'human factors', such as lack of human resources and conflicting personal preferences/temperaments, are important barriers to innovation for SMEs, beside other barriers that are valid for all companies, irrespective of their size.

Specific information from case studies

The General Manager of the Cinoco Group identifies numerous elements that are specific to SMEs in general when restructuring, including:

- impact of personality and professional background of the general managers;
- absence of social negotiations for those SMEs not fulfilling thresholds under social laws;
- personal ties;
- lack of access to human resources and expertise;
- reduced reporting lines;
- facilitation of communication (disseminating it and accessing information necessary for the restructuring process);
- heavy and counter-productive administrative requirements.

Moreover, the human factor is important for SMEs undergoing restructuring. According to the general manager of the Cinoco Group , there has to be a lot of communication in order to generate trust among the workforce, which is less true for larger corporations. 'Keeping talents' is also a challenge, especially for SMEs, who have problems in this area in any case, especially in comparison to larger companies.

The interviewed employee identifies the following SME-specific elements regarding the restructuring process.

- A large number of employees are reluctant and resistant to change, which requires extra efforts from management to communicate and to reassure.
- SMEs require people to be flexible, especially during reorganisation of work that follows restructuring events.
- Restructuring can have a positive impact on employees, with those adapting to successive changes experiencing an increase in self-confidence.
- Restructuring impacts employees in several ways, such as moving.
- Keeping talent is a challenge for SMEs; the loss of workers, especially good ones, is costly for the company.

Business support from public and private sources

Business support from public sources

In Wallonia, the most relevant initiative was the adoption of the Marshall Plan by the Walloon Region on 30 August 2005. This three-year plan (2006–2009), which aimed to restart the Walloon economy, contained different provisions to support SMEs. One of its specific measures, for example, was to provide tax exemption for investment aids. According to the Walloon government, more than 5,000 SMEs benefited from this opportunity.[10]

Building on this success, the Walloon government adopted a new plan for 2010–2014, which emphasises the development of green technologies. This plan focuses on SMEs and aims to increase their part in the distribution of investment aids[11] through the development of clusters.

The plan was quite well received by the public as mentioned by a study of the *Syndicat neutre pour indépendants sur la santé financière des Petites et Moyennes entreprises* as a key of limiting the number of bankruptcies.

As mentioned above, a business paper produced by the IWEPS, about the transfer of business in Wallonia, shows the Walloon government has tended to focus its support for entrepreneurship on companies' creation (Guyot and Van Cutsem, 2010). However, the authors also point out that the transfer of business must not be neglected as it is often a more secure way of entering business for the buyer than initiating a new activity.

Additional relevant support in Wallonia may be the services provided by the AWEX (Walloon Agency for Exportation and Investments), which provides an expert in export strategy free of charge for SMEs. This expert analyses the company's product line and its material in order to work out how best to implement internationalisation.[12]

There are different initiatives in the other Belgian regions. For instance in Brussels, the BECI (Brussels Enterprises Commerce and Industry) actively supports local SMEs and organised 'SME week' in June 2012 in Brussels[13], which is promoted on its website.

In Flanders, there is an interesting initiative in VITO's projects for SMEs' investments in green technologies. VITO, the Flemish Institution for Technological Progress (*Vlaams instelling voor technologisch onderzoek*) developed a special programme in order to cofinance SMEs that specialise in innovation[14] particularly in the field of recycling waste.

Moreover, the Flemish Agency for Innovation by Science and Technology gives financial support to SMEs that develop innovating projects within the Flemish Region (Enterprise Flanders, date unknown). Two kinds of projects can be supported. The first type is 'study in preparation of a project, having a clearly defined innovation goal'. The minimum amount of the budget must be at least €10,000. The basic support reaches 50% minimum of the total price up to a

[10] Le Plan Marshall, c'est du concret! Available at **http://www.wallonie.be/**.

[11] Official website of the Marshall Plan 2.0. See: **http://planmarshall2vert.wallonie.be/?q=node/85**.

[12] See: **http://www.info-pme.be/aidespubliques/aidesexportation/**.

[13] Official website of BECI, see: **http://www.beci.be/services/je_developpe/la_semaine_de_la_pme/**.

[14] See: **http://www.fca.be/EN/FCA/Pages/VITOforasustainableeconomy.aspx#9_2**.

maximum of €25,000. The second type is 'the project targeted at the actual realisation of an innovation'. The minimum amount of the budget must be at least €50,000 with the basic support representing 35% of the project cost (45% in the case of a small enterprise) up to a maximum of €200,000. An extra grant of €50,000 is available if the project complies with a particular policy objective (such as those in the automotive sector) or if the project is carried out between at least two companies.

Flemish provinces also take part to this innovation support policy. Local investments are promoted in the province of West Flanders (*West-Vlaanderen*), especially by the development of a specific website, which focuses also on SMEs (**http://www.investinwestflanders.org**).

Business support from private sources

Interesting information on this issue can be derived from the report of the first Walloon SMEs' Parliament of November 2011.[15] The report notices that funding from 'private sources' (without further specification) suffered from the economic crisis. Moreover, according to a survey of Walloon managers, 41% of them consider that the main problem is the access to bank loans. Likewise, 20% of the Walloon SMEs would like the implementation of private investment funds to finance them.

These data underline the importance of private funding (and its scarcity) in Wallonia.

The acquisition of Le Palais du Vin by the Cinoco Group illustrates how internal knowledge/knowledge of directors of small and medium companies is important for the success of restructuring. The experience of the general manager with business and development and with the financial and banking sector, as well as additional skills (such as negotiation skills) greatly contributed to the success of relationship with banks. The reputation of the company, that of the family and the personal and professional track record of the general manager also contributed to the success of the restructuring. The company also benefited from the support of two experts, a lawyer and an auditor, both close acquaintances of the general manager. Thanks to these personal ties, the company managed to secure reasonable fees for these normally prohibitively expensive services. The general manager highlights that SMEs usually lack the human and technical expertise for carrying out restructuring procedures.

[15] Rapport du 1er Parlement des PME de Wallonie, November 2011. Available at: **http://economie.wallonie.be/new/IMG/pdf/Rapport_du_Parlement_des_PME_de_Wallonie-2.pdf**.

Outcome of restructuring events

There is not much literature on the outcome of restructuring of SMEs in Belgium. Several interesting specific/isolated elements may nonetheless be put forward.

Outcome of internationalisation

We find a positive link between internationalisation and growth both in Francophone and Dutch literature on the internationalisation of SMEs in Wallonia/Flanders.

According to the PWC study relating to the 'Grande Région', which is valid for Wallonia, innovation and internationalisation are seen as the main factors of the economic recovery of the region (PWC, 2011). Moreover, the study reveals a positive correlation between the development of exports as a kind of restructuring and competitiveness. Indeed, 50% of the exporting SMEs interviewed indicate that their annual turnover has increased. Those figures must be seen as general trends as the study neither demonstrates nor concludes that export is always successful.

For the businesses in the chemical and life sciences industry (Lambrecht and To, 2009), it is clear that foreign markets are important for their turnover, as already mentioned. More than half of the undertakings get their turnover from international activities and for 37% of the undertakings the international activities account for 75% of their turnover.

Outcome of social reconversion

In general terms, the MIRE (Monitoring Innovative Restructuring in Europe), in its study relating to the issue of restructuring in Belgium (MIRE, date unknown), is quite critical regarding the Belgian workers' placement system. According to it, compensation for dismissal consumes the majority of the SMEs' available funds. There are thus not many resources for considering elaborated reconversion plans.

Moreover, the report points out that the protection system was conceived and created in a period of full employment, characterised by workers being hired under contracts of indefinite duration. The development of unstable working contracts therefore excludes many workers from legal protection in cases of restructuring.

Except for the points mentioned above, our literature review does not allow us to draw general conclusions with respect to other types of outcome (positive or negative) of restructuring for SMEs in Belgium, such as an increase or a decrease of profitability. There is thus a literature gap with this respect.

Conclusions and policy issues

As is the case with most of its European neighbours, Belgium's economy depends heavily on SMEs. Support must therefore be focused on them, all the more since those small structures are particularly fragile in a crisis.

A first policy recommendation would be to reduce the administrative burdens on SMEs. As SMEs do not have the logistics to deal with complex regulations relating to labour relations or tax and contributions, a special effort must be made in this field not to impede those companies' profitability. The government agreement of the end of 2011 proposed a 30% reduction in the administrative burdens on companies. However, as explained by the study carried out by the SD WORX some doubts exist on the possibility of viewing those statements of intents, especially due to calendar issues (SD Worx, 20 December, 2011).

This reduction in red tape should also apply to SMEs that internationalise. The complexity of administrative procedures must not impede Belgian SMEs to invest in foreign markets.

Our second policy recommendation echoes the plea from SME managers to decrease labour costs. These costs hinder companies that want to develop their activities but don't have the necessary funds to support the weight of social contributions. The Belgian government has recently tried to address this concern. In the daily paper Le Soir of 11 May 2012, the Deputy Prime Minister and Minister for Social Affairs and Public Health Laurette Onkelynx proposed reducing social contributions for SMEs for the first three jobs they create for the first two years and, after that period, an additional reduction of €400 for one year and a half. Such a proposal would be in the interest of SMEs.[16]

Our third policy recommendation favours a more flexible labour market. If SMEs could adapt their workforce according to demand, this could be a way to improve the employment rate. Although workers' social rights must be respected, it should not be overlooked that the heaviness of labour contracts hurt SMEs' profitability, especially the smaller ones.

Our fourth policy recommendation focuses on vocational training. As the PWC study demonstrates, 78% of interviewed employers say the lack of skilled workers is impeding their competitiveness. This underlines the mismatch between workers' training and the needs of businesses.

Our fifth policy recommendation is about the real need for funding for investment and innovation. To this end, Project 'Livret B', a specific bank account for deposits whose revenue would be invested directly in the real economy of Belgium, is being prepared by the Belgian government. This financial investment would redirect Belgian saving to company funding, particularly SMEs. Likewise, support, which in Wallonia seems to have been focused on company creation, should also apply to other relevant types of restructuring, such as the transfer of business, which is often a more secure way for the buyer to enter business than the initiation of a new activity.

Our sixth policy recommendation will support the proposals of the 2008 VLG study (Onkelinx and Sleuwaegen, 2008) to encourage internationalisation, especially as many Belgian SMEs never consider it. Public authorities should cut transaction costs and supply information and advice. The development of adapted strategies should also be considered as a key point.

[16] See **http://www.lesoir.be/actualite/belgique/elections_2010/2012-05-11/onkelinx-s-il-le-faut-reduisons-les-prix-915065.php**.

Our seventh and last policy recommendation is to give more autonomy to Belgian regions and communities, which can be a way of tailoring policies specific for each territory. However, as administrative burdens already hamper restructurings in Belgian SMEs, there must be a special focus on giving the most clear legal framework to SMEs' managers and not weakening them with more responsibilities. Moreover, cooperation, especially in the employment field, must be encouraged in order to overcome regional difficulties. As was seen above, regional authorities are responsible for helping unemployed workers find jobs. They are autonomous, as differing economic situations in the regions mean that each territory has to have a particular policy.

An article in Le Soir (1995) shows the apparent success of this arrangement, and between 1991 and 1995 in the Brussels-Capital region, the number of job proposals to the ORBEm (former Actiris) increased by 51% and the satisfaction rate by 94%, which was hailed by the Brussels Minister-President as a success. These data are obviously old but the decision of Belgian politicians to gradually give more responsibility to the regions in the economic field underlines the importance of the regions in implementing employment policy and helping dismissed workers find employment.

There are, however, apparent gaps in this regionalisation system, as evidenced by a desire for more cooperation between the three worker-placement organisations (Le Soir, 8 March 2007).

In consequence some local cooperation over the linguistic border was implemented especially between the cities of Kortrijk and Mouscron. On the one hand, it was pointed out that the rich Flemish region was lacking workforce, while Wallonia and the Brussels-Capital region have high unemployment rates. Consequently, an exchange policy has been implemented between local branches of the employment agencies VDAB and FOREM, with VDAB now being able to offer job opportunities in Flanders to workers established in Wallonia and the FOREM offering Walloon manpower to Flemish SMEs.

This is however an isolated measure and there is no overarching frame to combat the economic and social disparities between the regions.

One suggestion for the Belgian authorities would be to improve coordination of policies regarding SMEs at the federal level.

Finally, although the Renault law might be useful for workers protection, as 83% of Belgian companies have fewer than 10 workers, the legal protection under this law is questionable. As this law applies only to SMEs with more than 20 workers, it would be helpful if the federal legislator modified the law, extending such protection to smaller companies.

Finally, two major recommendations for policymakers can be derived from the case studies:

- Reducing administrative burden as much as possible: resources in SMEs are limited and time and resources are wasted on administrative paperwork on a regular basis, but also during any restructuring process. Some useless administrative requirements may be particularly burdensome for SMEs.
- Thresholds for heavy social obligations (such as works councils) should not be lowered. This would bring no benefits and would hinder the open and direct communication existing in SMEs.

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