



Project Green Synergy

Business Development for SMEs and Entrepreneurs

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Mapping of current situation Country Snapshot Spain

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Introduction

The Spanish Industrial Company has undergone important structural changes in recent decades. Obviously, it highlights the establishment of the new political framework in Spain, the accession to the European Union and international competition, especially from emerging countries, in addition to globalization processes and other factors.

During the sixties, Spain experienced a great economic expansion thanks to institutional protectionism, although later the crises weighed down these companies, which had no experience in entrepreneurship, innovation and creativity. The lack of competitiveness did not allow the expansion of companies to develop in many aspects, such as the exit to international markets. In short, the lack of competitiveness led to the growth of companies without ambition and that did not take into account the competition of other countries.

In the mid-eighties entrepreneurs were still not aware of the situation and blamed external processes for the weaknesses of the industry. But in the following decades the Spanish industrial company carried out an important effort of modernization, growth and professionalization. Since the 80s, technological development, the globalization of markets and the regulation of many sectors has caused the process of industrial transition in which we are immersed to lead to a change towards models marked by innovation, the human factor and the development of more flexible business management systems. All of them today have a decisive role to become a country with industrial thrust again.

Spanish SMEs are the main engine of the country's economy, as they constitute its business fabric. They encompass more than 95% of companies and generate more than 90% of employment. Due to their high percentage, they have been the most affected by the effects produced by the COVID-19 pandemic.

Before the pandemic, SMEs covered 97% of Spanish companies, with a total of 3.417.000 companies. However, the pandemic reduced the figure. Taking into account the latest data offered by the Directorate-General for Industry and Small and Medium-sized Enterprises, corresponding to the month of July (2021), the number of SMEs in Spain is 2.927.231. Of this amount, 1.125.454 are microenterprises, that is, they have between 1 and 9 employees; 156.903 small enterprises, between 10 and 49 employees and, 25.316 medium-sized enterprises, with between 50 and 249 employees.

Categorizing SMEs by sectors, the services sector predominates, covering 2.147.203 companies, construction 331.007, the agricultural sector 274.210 and, finally, industry with 174.811 companies.



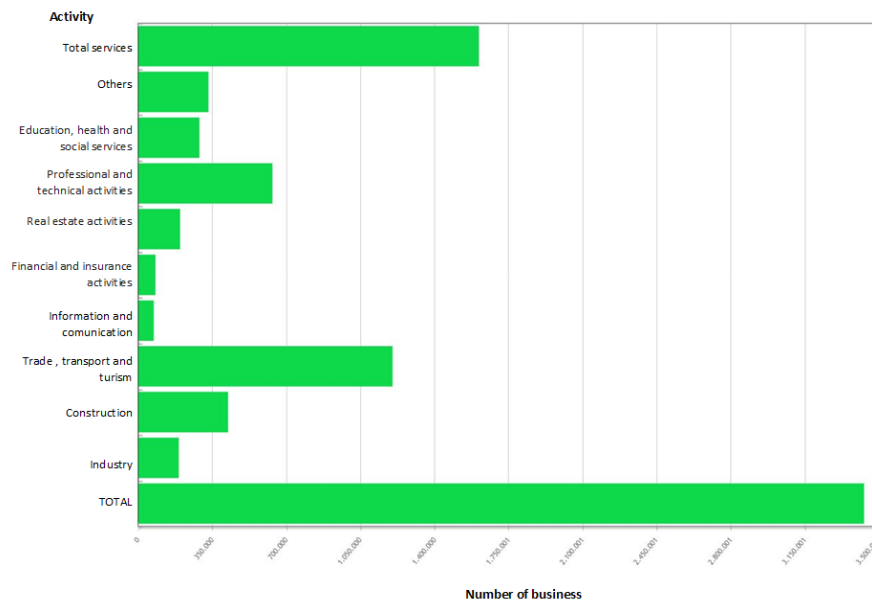
The pandemic has forced SMEs to modify their business. The main challenge they have had to face has been innovation and digital transformation.

Current situation of SMEs and entrepreneurs/ Sustainable development in Spain

In Spain we have an "overpopulation" of small and medium-sized enterprises, which contribute 65% of GDP and 75% of jobs. They account for 99.2% of our productive fabric.

We understand small and medium-sized enterprises employing fewer than 250 people and whose annual turnover does not exceed 50 million of euros, or whose annual balance sheet total does not exceed 43 million of euros.

COMPANIES BY ACTIVITY 2022

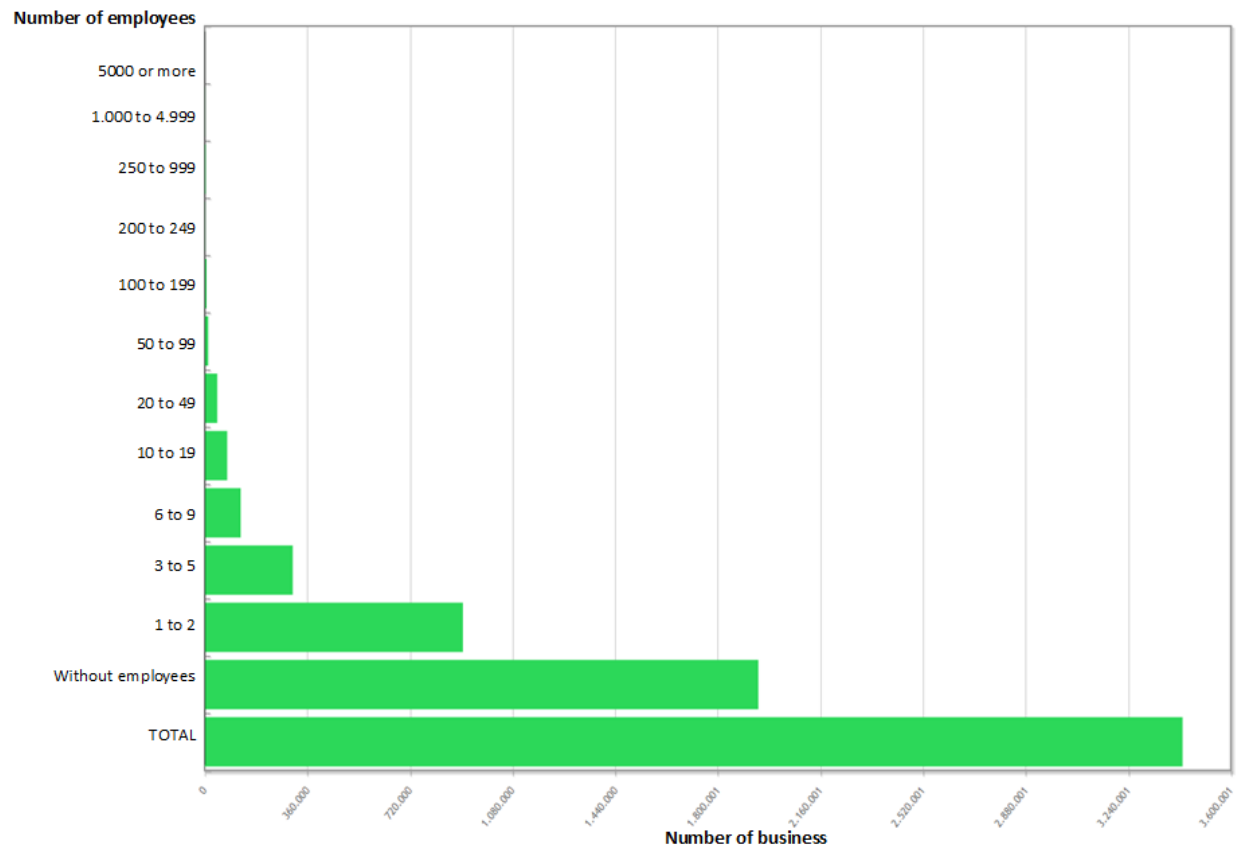


Source: National Institute of Statistics <https://www.ine.es/>

The evolution of companies based on the number of employees in the analysis from 2020 to 2022 highlights the increasing trend of companies with few workers, showing growth figures of more than 30.000 points in the case of companies without employees (self-employed).

If we take into account the number of workers, we realize that most are self-employed or individual companies in which a natural person is self-employed in an economic activity. Thus, the self-employed or individual entrepreneur invoices with his NIF as a natural person in an individual company. In total in 2022, there are 1.942.319 companies without workers.

COMPANIES BY NUMBER OF WORKERS 2022



Source: National Institute of Statistics <https://www.ine.es/>

With regard to the number of employees in companies with 1 to 2 workers, in data from 2022, we have 905.804 workers; in companies with 3 to 5 employees, 308.888 workers, and so consecutively the number is decreasing as companies grow in number of workers.

EVOLUTIONCION 2020 – 2022

| EMPLOYEES | BUSINESS | | |
|-------------------|-----------|-----------|-----------|
| | 2022 | 2021 | 2020 |
| Total | 3,430,663 | 3,366,570 | 3,404,428 |
| Without employees | 1,942,319 | 1,879,126 | 1,912,010 |
| 1 to 2 | 905,804 | 920,321 | 907,192 |
| 3 to 5 | 308,888 | 304,095 | 305,986 |
| 6 to 9 | 126,100 | 120,828 | 125,472 |

| | | | |
|----------------|--------|--------|--------|
| 10 to 19 | 78,909 | 75,522 | 81,298 |
| 20 to 49 | 43,929 | 42,012 | 46,101 |
| 50 to 99 | 12,337 | 11,959 | 13,275 |
| 100 to 199 | 6,371 | 6,655 | 6,906 |
| 200 to 249 | 1,286 | 1,380 | 1,362 |
| 250 to 999 | 3,643 | 3,634 | 3,774 |
| 1,000 to 4,999 | 898 | 867 | 880 |
| 5,000 or more | 179 | 171 | 172 |

It is striking that the set of micro-SMEs, by far the largest business group in our country, concentrates only 21% of total jobs (2.938.948), a percentage almost identical to small ones, 21.4% (3.000.387), only moderately higher than the medium, 17.3% (2.423.150), and much lower than that of companies with 250 or more employees, 40% (5.604.033). From these data it can be inferred that, although microenterprises represent a quarter and a half of productive activity, their capacity to create employment is limited. Although the border to enter this category is nine employees, the average is less than three, which shows a wide margin for improvement.

Public policy approach for sustainable business development of SMEs and entrepreneurs, reasons to go green

In recent years, the concern for the efficient use of resources and their involvement in social welfare, that is, in the creation of growth and employment, goes further and has been given the concept of "Circular Economy".

Thus, the 2030 Agenda for Sustainable Development, published by the United Nations in September 2015, the Sustainable Development Goals (SDGs) constitute a universal call to action to end poverty, protect the planet and improve the lives and prospects of people around the world. In 2015, all UN Member States adopted 17 Goals as part of the 2030 Agenda for Sustainable Development, which sets out a plan to achieve the Goals in 15 years.

In this area, Spanish SMEs are at the same level as European SMEs, although still far from large companies. SMEs face different problems when it comes to joining the circular economy: Need to adopt a business

mentality oriented to the green economy, financial barriers, lack of support from Public Administrations and absence of effective legislation, lack of information, administrative burdens ...

However, the circular economy represents a clear opportunity for SMEs, an aspect to be taken into account in the design of public policies.

Taking into account the above, the following recommendations are proposed, the objective of which is to facilitate the transition of SMEs to the sustainable economy, all within the framework of the plans and strategies of Spain and the European Union that are being carried out:

1. Promote environmental information, communication and dissemination.
2. Advance in the simplification and application of environmental regulation.
3. Facilitate the transformation towards a circular economy, promoting the creation of incentives to promote energy and resource audits, etc.
4. Facilitate the transition to a low-carbon economy.

Case study / Example: La Ballena Alegre

La Ballena Alegre is a campsite located in Sant Pere Pescador with 316 bungalows and 809 plots, occupying a total surface area of 24 hectares. In 2020, there were 45,346 overnight stays, with over 110,000 people estimated to have stayed at the campsite during the year.



The Càmping La Ballena Alegre Costa Brava defines Eco-Wellness tourism (Natura&Benestar) as:

- The tourism activities that give priority to sustainability and appreciation for the natural and cultural environment, and the wellbeing offered to tourists.
- A responsible tourism that is committed to minimising its own environmental impact, sponsoring and supporting environmental projects, and protecting and preserving the environment.

- The tourist activities offered to engage with local traditions, gastronomy and culture, fostering the local community's social and economic development by working with local producers and traders.
- Nature is conceived at Eco-wellness Ballena Alegre as a constructive, positive commitment that seeks a direct and indirect impact, preserving it for future generations.

The campsite consolidates its commitment to sustainability by promoting the energy, environmental, economic and social benefits of local sourcing. The following actions are carried out at the campsite:

Actions involving the product:

- Eco-design in the construction of bungalows and facilities.
- Use of environment-friendly materials.

Actions involving the services:

- Sale and use of seasonal, locally-sourced products.
- Circular economy workshops in children's activities.

Actions involving the environment:

- Reduce water and energy consumption.
- Foster waste minimisation and recovery.
- Wastewater management.
- Integration with the landscape.
- Refrain from introducing allochthonous species.
- Encourage the presence of halophilic species.
- Provide information and awareness-raising about good environmental practices to employees and customers.
- Provide information to suppliers about the environmental commitment acquired and the requirements they will have to meet.

More info: <https://www.ballena-alegre.com>

Need for training for sustainable development in Spain

According to a report by the Bank of Spain, 26% of workers claim to have set up a business because they had no other option. This percentage is one of the highest in the European Union, only behind Latvia, Portugal and Austria.

This situation is more frequent among workers who have a lower level of education, since around 30% of non-salaried workers are self-employed by necessity.

Obviously, the need for self-employment is associated with lower business survival, lower profits or lower satisfaction. It is the logical consequence of a growing need, especially among people with less education and, among them, the youngest.

In addition, the Bank of Spain refers to the false self-employed indirectly. Specifically, it highlights the existence of digital platforms that base a large part of their business model on non-salaried workers, but dependent on their employer.

With regard to training, the Annual Labor Survey of the year 2019 of the State Public Employment Service (SEPE) shows that more than three quarters of the companies surveyed provided training to their workers, however, this proportion varies depending on the size of the company. Companies with more than 50 workers are where more is invested in training, almost in the totality.

By contrast, only 69.2% of companies with fewer than ten employees provide training for their employees, and there is also a difference between economic sectors. The most trained are professional, scientific and technical activities, information, communications, financial and insurance activities, transport and storage, industry and construction (ranging from 85.8% to 81.4%).

Likewise, the fight against climate change and economic transition pose great challenges in our current society, however, the trends and commitments that our country has assumed in recent years are very significant in environmental matters. In this way, and following the line of the plans established throughout the European Union, achieving these objectives will be a challenge for the Spanish economy. In light of this evidence, in recent years many governments have assumed – both in a coordinated and individual manner – very significant environmental commitments, mainly with regard to the reduction of GHG (Greenhouse Gas) emissions. These initiatives include the 2015 Paris Agreement, reached at the 21st United Nations Climate Change Conference (COP21) and ratified by 191 countries. In the case of the EU, the coordination of actions to mitigate the effects of climate change and promote the ecological transition has been articulated mainly through the so-called "European Green Deal" and, at the national level, in

Spain the fundamental pillars of this strategy are the Law on Climate Change and Energy Transition, the Integrated National Energy and Climate Plan (PNIEC) 2021-2030, the National Plan for Adaptation to Climate Change (PNACC) and the Just Transition Strategy¹⁷. Within the framework of this set of initiatives, in a manner consistent with the commitments reached at European level in the European Green Deal and in the "Objective 55", our country proposes, among other objectives, to achieve the full decarbonization of the economy by 2050 and to have an electricity system based exclusively on renewable generation sources.

Manufacturing, agriculture, transport and the supply of electricity and gas are the productive activities with the highest GHG emissions in Spain. According to Eurostat, in 2019 household activity – mainly related to transport and heating – was responsible for 20.9% of GHG emissions in our country. The rest of the emissions originated in the productive sector. Within this, manufacturing, agriculture, transport and the supply of electricity and gas, sectors that represent approximately 25% of the GVA of the economy, accounted for almost 70% of GHG emissions in 2019.

However, deficiencies were detected in sectors that can contribute significantly to increasing sustainability in our country:

The training needs of environmental protection professionals are mainly waste management in terms of prevention and reduction; Sustainable use of resources: water and carbon footprint, air quality chemistry, clean technologies. Special attention to the application of the circular economy, especially in ecodesign and sustainable production; product life cycle; energy efficiency and use of renewable energies; Preparation of risk and environmental impact studies.

In the Technicians in waste and water treatment facilities, the main deficiencies lie in the management of ETAP processes (Drinking water treatment plant), WWTP processes (Wastewater Treatment Plant), in the operation of EBARES (Wastewater pumping station), automation and control of water stations (liquid control automatism), management of electromechanical equipment (pumps, generators, reducers...), and management of welding equipment (Tig, autogenous, arc...).

Likewise, in types of waste, recovery, computerized traceability of waste, integrated computerized waste collection system; biometrics, biodegradability and composting.

- **CONSTRUCTION**

The group of technical personnel where the engineers and architects are framed requires training and updating in urban legislation, installation in renewable energies, energy efficiency in buildings, waste control, demolition and acoustic protection. Knowledge in rehabilitation of sustainable buildings, as well as tools and methodology for the environmental assessment of buildings, and R + D + i evaluation in new construction techniques.

The legal provisions on energy efficiency (EE) and renewable energies (RE) applied to buildings have generated their incorporation into the exercise of their profession, which entails the need for specific practical training for each professional activity and minimally theoretical to raise awareness about the economic and energy profitability of applying these criteria.

- **AGRICULTURE**

In the area of agriculture, the main training needs in farms and crops are detected in basic knowledge of botany, seeds and seedbeds, cultivation techniques, fertilization and fertilization, planting calendar.

On the other hand, there are training deficiencies in organic farming, on the one hand, and in basic plant health (detection of pests and diseases).

2. CHALLENGE FOR SMALL AND MEDIUM-SIZED ENTERPRISES

At the end of 2021, the Bank of Spain conducted a survey to press the opinion of Spanish companies on the implications that climate change and the transition to a more sustainable economy would have for them.

The survey showed a relatively optimistic perception of Spanish companies regarding the direct impact of the climate challenge on their activity, however, it should be noted that smaller companies showed to be less prepared for climate challenges and be more vulnerable than the rest of the companies to the problems that climate change and the ecological transition could pose in terms of financing and loss of competitiveness.

In this way, in order to advance efficiently in the process of ecological transition, it is essential to increase the volume, quality and standardization of the information available on the granular exposure of companies – in Spain and in the rest of the economies of our environment – to the different climate challenges. This is crucial not only for companies themselves, for example when making their investment

decisions, but also for public authorities – for example, to design possible compensatory policies – and for the financial system – to efficiently allocate financing flows between sectors and firms.

However, most climate initiatives have focused on the ecological transition of large companies, leaving a knowledge and action gap in assisting SMEs during their decarbonization efforts. This support is essential, as they face a lack of resources to be able to start and deepen their energy transition. Added to this is the fact that SMEs in Spain struggle to survive a complex economic situation after the Covid-19 crisis and the energy price shock caused by the Russian invasion of Ukraine.

However, from Cámara España, with the financing of Next Generation EU funds, has developed a Sustainability Knowledge Map for SMEs objective is to improve the productivity and competitiveness of micro, small and medium-sized enterprises with the adoption of a culture in favor of permanent innovation to achieve sustainable economic growth through actions related to energy efficiency, the reduction of the carbon footprint, the circular economy and the 2030 Agenda.

Thus, sustainability is promoted as a strategic element, thus betting on small and medium-sized entrepreneurs, so that they can identify solutions in their business model in accordance with current sustainability policies.

Conclusions

"Education, in all its forms and at all levels, is not only an end in itself, but also one of the most powerful tools we have to induce the changes needed to achieve sustainable development." Koïchiro Matsuura, Director-General of UNESCO (1999-2009).

We should be aware that there is a growing need for training and education in sustainable enterprise development. Spain is in a good position to take advantage of the policies to support this development that the European Community can promote. Awareness in this area is growing in the country and the policies that promote this development will be well received and have excellent results quickly.

But to become a sustainable company we must first understand what sustainability means. Sustainability is a concept that involves managing the company taking into account a triple dimension and a triple impact: environmental, social and good management.

The attention and care of these three criteria in a company make the difference with respect to others and are the best indicators that the company is in good health and is prepared not only to survive in the long term but, above all, to lead progress and build a better future. As well as being more competitive and efficient compared to your competition.

Entrepreneurship in every way contributes not only to the country's GDP but also to the creation of jobs as a result of the activities of entrepreneurs. Therefore, there is a great need to educate entrepreneurs and SMEs, especially small family businesses, to work sustainably and join the fight against climate change. If there is no entrepreneurship, there can be no economic growth.

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