

# Chapter 35

## Entrepreneurship and Enterprise Value Creation in Support of Smart, Sustainable, and Inclusive Growth in the European Union

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### **ABSTRACT**

*In 2010, the European Union codified “Smart, Sustainable, and Inclusive Growth” (SSIG) as part of the Europe 2020 Strategy. Introduced in the context of the global financial crisis, SSIG seeks to restore economic resiliency and foster a more equitable, innovative and environmentally sustainable European economy. The research evaluates the processes of entrepreneurship through which small and medium enterprises (SMEs) contribute to SSIG, including through “innovation-driven entrepreneurship,” “sustainable entrepreneurship” and “social entrepreneurship.” The research additionally assesses the creation of an enabling regulatory and fiscal environment for these modes of value creation, their associated socio-economic outcomes and their monitoring and evaluation practices.*

### **INTRODUCTION**

In adherence to traditional enterprise models, investors hold ownership rights while enterprises pursue the principle objective of profit maximization. As a result of the global financial crisis, however, the notion that a narrow focus on financial returns is the most efficient method to ensure sustainable revenue growth and market reach has become increasingly tenuous. In recent years, several of the concepts underlying traditional enterprise models have progressed to integrate a more multi-dimensional view of

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value creation, including social, financial and environmental dimensions (Emerson, 2003). Global and localized drivers have catalyzed this shift, including: a focus on long term value creation as a risk mitigation strategy; constrained and sometimes depleting public resources, which have encouraged adoption of private sector social and sustainable models and practices; and an increasing body of scholarship which demonstrates the financially material nature of global trends such as demographic changes and natural resource scarcity (Wilson, Silva & Richardson, 2015).

In particular, the European Union (EU) has become increasingly specialized in its regulatory and financial support for small and medium-sized enterprises (SMEs). This specialization relates to both continuing efforts to foster economic development and increasing consideration of the extra-financial value of such growth. Through several of its 2014-2020 Multi-annual programming instruments, the Europe 2020 Strategy delineates SMEs based on their distinct contributions to Smart, Sustainable and Inclusive Growth (SSIG). The research analyzes the SME subsets that align to and advance smart, sustainable and inclusive growth. The SME categories are not absolutes, nor are their associated modes of growth and value creation. Rather, the categorizations are general attempts to align aspirational modes of development with commensurate SME interventionist strategies. Of course, enterprises often possess the characteristics of multiple SME subsets, and may, in turn, contribute to various strands of SSIG. The chapter further proposes a methodology to evaluate SMEs' *ex ante* potential to advance SSIG and to measure the *ex post* materialization of that potential as a result of EU intervention. This methodology incorporates theories of entrepreneurship, value creation and the measurement of SMEs' socio-economic outcomes.

Authors identify the role of entrepreneurship and innovation at the macroeconomic and microeconomic levels. *The macroeconomic research* strand delineates the main factors advancing SME entrepreneurship and innovation, the characteristics of the SME ecosystem and the relationship between entrepreneurship, innovation and economic growth. With respect to the *microeconomic factors*, the research identifies the performance metrics related to SME entrepreneurship, innovation and value creation.

The research utilizes two main approaches: theoretical analysis of SME subsets and comparative evaluation of various strands of entrepreneurship within EU member states. Thus the paper expects to make a contribution to the theoretical and practical development of an efficient system of resources allocation that provides incentives and financial infrastructure for SMEs to optimize their financial and extra-financial value and generate diversified and resilient growth for the European economy.

Incorporating a theoretical methodological review and practical comparative analysis, the present chapter provides evidence with respect to two key assumptions:

**Assumption 1:** Entrepreneurship and innovation are main drivers for enterprise value creation (micro-economic aspect) and economic growth (macroeconomic aspect).

**Assumption 2:** The majority of European SMEs have the potential to more effectively leverage entrepreneurial and innovative approaches to value creation, which incentivizes EU intervention at the institutional level through various financial instruments and programmes.

## **METHODOLOGICAL BACKGROUND**

The research on SME entrepreneurship and innovation and their impact on firm performance and economic growth is set against the backdrop of the global financial crisis and the pressing need to address

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