



Eurofound

Restructuring in SMEs: Spain

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Introduction

It is interesting to note that when businesses are analysed and characterised size can be a descriptive factor, but it is not the only one. According to some authors, categorising all SMEs (that is, all companies from 0 to 249 salaried workers) as a single group represents a too simple or generalising approach (Camison et al., 2010).

Actually, SMEs represent around 99% of all enterprises in Europe (the importance of Spanish SMEs within the national business network is even higher than the European average), and it is evident that they are much more diverse and manifold than large enterprises. Therefore, for example, medium-sized enterprises with 50–249 persons employed might have much more in common with larger enterprises than with micro-sized enterprises in the crafts or artisan business (Voss, 2007a).

The available literature shows that SMEs in general are characterised by some common features. SMEs tend to be much more flexible and offer personalised customer service and better quality. To a great extent, these characteristics stem from the owner's personality, what they know and their personal relations. In fact, this is a very powerful competitive advantage: it is so idiosyncratic that it is practically inimitable (EOI, 2003).

Not all types of restructuring are high on the agenda in Spain, although some topics have received increasing attention in recent years. One of the most examined issues is internationalisation. Recent literature on restructuring is mainly related to the economic downturn, and it is relatively common to hear about internal restructuring processes (for instance, plans to adjust employment levels) or company closures. The issue is increasingly discussed in public and policy debate with regard to the employment and labour market implications of restructuring. On the other hand, most sources of information talk about large companies whereas restructuring in SMEs does not normally receive much public attention.

Contents and methodology of the report

This report is the Spanish contribution elaborated for the Eurofound (European Foundation for the Improvement of Living and Working Conditions) project 'Restructuring in SMEs'.

For the report, a review of available data and research findings dealing with restructuring in SMEs in Spain has been compiled. The information sources consulted include scientific journals, research reports, statements and reports by governments, employers' and employees' organisations, information disseminated by public employment services and support service providers, data published by statistical offices, etc.

Moreover, the literature review includes: relevance of different types of restructuring, drivers of restructuring, distinctive characteristics of restructuring in SMEs, outcome of restructuring events, main challenges and constraints for SMEs and business support.

The second part of the project includes the elaboration of three Spanish company case studies (summarised in this report), via qualitative interviews with SMEs that underwent restructuring. For each case, the following issues are considered: organisational profile, background to the restructuring event, restructuring process, challenges and constraints of restructuring, restructuring advice and support, outcomes of restructuring, final commentary and, finally, descriptions of information sources for each case study.

Therefore, the methodology used to draw up this report is based on a combination of desk research (that is, identification, compilation and analysis of existing literature and secondary data in Spain) and field research (that is, half-standardised qualitative interviews with three Spanish firms).

Importance of SMEs in the Spanish economy

The Spanish economy is mainly composed of small and medium enterprises, which represent an essential source of entrepreneurship and innovation, contributing decisively to economic growth, job creation and social cohesion.

The Spanish General Directorate of the SME (**DGPYME**) publishes a yearly report on SMEs, known as ‘SMEs’ portrayal’. According to the 2011 SMEs’ portrayal report, on 1 January 2010 there were 3,283,495 SMEs in Spain (with 0 to 249 salaried workers). This means that 99.88% of the total 3,287,374 companies registered in Spain were SMEs (this data was obtained from the **Spanish Central Directory of Companies**, elaborated by the Spanish Institute of Statistics, **INE**; this register excludes agriculture and fishing).

In Spain there are 7.0 SMEs per 100 inhabitants, 14.2 per 100 active persons, and 17.8 per 100 employed persons. With regard to economic activities, most SMEs operate in the services sector, followed by the commerce sector. More precisely, and concerning the services sector, the highest number of SMEs is found in activities related to HoReCa (hotels, restaurants, catering), as well as land transport (DGPYME, 2011).

Moreover, of the total number of Spanish companies, 85% are family businesses (Gonzales Fuentes et al., 2009).

When considering business size, the largest group are those businesses with no salaried workers, 55.2% of the total. Moreover, companies from 0 to 49 employees represent 99.2% of the Spanish business network (2011 data).

From a historical perspective, the size distribution of the Spanish business population has remained stable since 1999, in spite of high turnover and regeneration. Actually, the high rate of renewal of the business network is demonstrated by the high rate of new businesses created, as 12% of companies operative in 2008 were created that same year, while 27% were created during the previous three years (Camison et al., 2010).

Table 1: *Distribution of Spanish business population, 1999–2011*

Absolute number and percentage	1999	2001	2003	2005	2007	2009	2011
0 salaried workers	1,388,116 55.11%	1,408,792 53.26%	1,459,938 51.90%	1,574,166 51.37%	1,706,140 51.13%	1,767,470 52.67%	1,795,321 55.23%
1–5	883,902 35.09%	952,728 36.02%	1,046,166 37.19%	1,161,154 37.90%	1,273,164 38.16%	1,251,763 37.30%	1,161,360 35.73%
6–49	226,779 9.00%	260,563 9.85%	282,121 10.03%	301,914 9.85%	327,763 9.82%	308,475 9.19%	269,034 8.28%
50–200	16,174 0.64%	18,820 0.71%	19,888 0.71%	21,397 0.70%	23,517 0.70%	22,747 0.68%	19,864 0.61%
More than 200	3,830 0.15%	4,414 0.17%	5,046 0.18%	5,498 0.18%	6,073 0.18%	5,375 0.16%	4,997 0.15%

Source: **Spanish Central Directory of Companies**, *INE* (Spanish National Institute of Statistics)

In comparison with Europe, SMEs in Spain are more dominant and account for a larger volume of employment (DGPYME, 2009). The Spanish business network, along with Greece, Italy and Portugal, is still made up of small production units in a higher proportion than the rest of the countries of the EU27 (DGPYME, 2011).

Concerning work and employment figures, in 2006 73% of the EU27 workers worked in SMEs, whereas in Spain the figure was higher (82.2%). SMEs employ a greater percentage of the total working population and, in proportional terms, they contribute more to the total value added than in the European Union.

Table 2: *SMEs in Spain and in Europe, 2006*

	Companies (%)	Workers (%)	Average employment
EU27	99.92	73.0	6.5
Spain	99.95	82.2	5.3

Source: **Retrato de la PYME, 2009**, Dirección General de Política de la Pequeña y Mediana Empresa, 'Retrato de la PYME 2009'; Madrid, 2009

More precisely, according to 2008 Eurostat statistics, there are considerable differences in the contribution to employment by microenterprises, ranging from 14.8% in Slovakia to 57.9% in Greece. Spain is situated between both values, with a percentage of 37.7% (DGPYME, 2011).

Relevance of different types of restructuring for SMEs

Overview

It is widely accepted that ‘restructuring’ takes many forms and includes a wide variety of situations. Some of the most noteworthy restructuring situations are, for instance, the setting up of a new business, closures or changes of ownership. Alternatively, the concept of restructuring could also imply internal restructuring and reorganisation processes, subcontracting activities (outsourcing), or moving activities to other sites of the company either within or outside the country (that is, relocation or offshoring). Moreover, privatisation strategies and market liberalisation in previously state-owned enterprises and/or public utility services lead to restructuring. Furthermore, different restructuring situations may overlap and are not mutually exclusive (Voss, 2007a).

With regard to the available Spanish literature, the information provided is rather limited. Thus, for the seven main types of restructuring identified by the European Restructuring Monitor (ERM)¹ (relocation, outsourcing, offshoring/delocalisation, bankruptcy/closure, merger/acquisition, internal restructuring, business expansion), the amount or quality of information available is variable. Amongst the most common problems are that in some cases information is mostly theoretical or academic, with no proven data supporting it; in other cases, information can be outdated (that is, late 1990s).

More specifically, concerning business expansion, there is plenty of information, especially on exports and internationalisation (perhaps because there is considerable public support for these types of processes). Remarkably enough, there is also ample information on the issue of mergers and acquisitions.

With regard to bankruptcy/closure and internal restructuring processes, there are a few official statistics that provide an interesting overview on these issues; for internal restructuring, data refer mainly to ‘plans for the adjustment of employment levels’ (or ‘EREs’ in Spanish). In contrast, for outsourcing and offshoring/delocalisation, information is scarce, and sources present mainly general ideas or trends, but not specific figures. Also, there is no information available concerning relocation processes among SMEs. Unfortunately, there is no information on possible interrelationships between different types of restructuring processes.

Relocation

Unfortunately, there is no information available concerning relocation processes among Spanish SMEs. A reason for this could be that relocation is of little relevance for SMEs.

Outsourcing

The available literature shows that the way companies are managed has changed a lot over the last 30–40 years. To a great extent, this progressive development has been facilitated by factors such as better accessibility to markets and transport improvements, the progressive integration of economic spaces or the increasing use of innovative processes and ICT.

¹ <http://www.eurofound.europa.eu/emcc/erm/index.htm>

More specifically, organisation models have progressed from (1) managing the manufacturing of whole products towards (2) managing specific processes, products or sections of the whole value chain, according to the added-value generated. This development represents a specialisation process by which the value chain is fragmented and a fraction of the production activity is taken out of the company (Spanish Superior Council of Chambers of Commerce, 2005). As a result, a single company (the contractor) manages the overall production process, whereas a number of specialised companies (subcontractors) deal with one or several parts of the process. Against this background, the more complex and technical the subcontracted part of the process is, the more interdependent becomes the relationship between contractor and subcontractors (Spanish Superior Council of Chambers of Commerce, 2005).

In 2003, the Spanish Superior Council of Chambers of Commerce published a report containing interesting conclusions concerning contracting and subcontracting industrial companies in Spain. The report explains that the survival of subcontracting companies depends on three main factors: being close to the contractor (that is, final client), being an appropriate size to respond to the demands of the contractor, and diversifying its income in order to minimise its dependence.

This report uses data provided by the Industrial Companies Survey, carried out by the Spanish National Institute of Statistics. Analysed data exclude companies with fewer than 20 employees, and refer to average figures for the years 1999 and 2000.

According to the data presented, the average size of a subcontractor is 65 employees, which is lower than the average size of contractors (75). Moreover, the average size of the Spanish contractor is closer to the average size of industrial companies in general (78 employees). Therefore, it can be concluded that the average subcontractor is smaller than the average contractor. However, this report foresees that subcontracting companies will tend to grow, in their effort to fulfil the more demanding requirements imposed by contractors.

This same source also includes the results of an ad-hoc survey carried out by the Spanish Superior Council of Chambers of Commerce in 2002, which aimed at studying industrial subcontracting in Spain. The results allow conclusions to be made on some interesting trends within the Spanish business sector in relation to the size of the company:

- The probability of acting as a contractor is higher the larger the company.
- The probability that a company limits its business activity only to subcontract activities is higher the smaller the company.
- The proportion of a company's income depending on subcontracted activities is lower the larger the company.
- The probability that the contractor provides technical instructions is higher the larger the subcontracting company.
- The probability that the subcontracting company has the quality certificates required by the contractor is higher the larger the subcontracting company.
- The probability that the subcontracted work / products include the brand of the contractor is higher the larger the contracting company.

In conclusion, size is a differentiating factor concerning subcontracting relations. Thus, factors such as exclusivity, technical knowledge, capacity to act as a contractor, independence from the contractor, or fulfilment of the contractor's requirements all increase with company size. As a consequence, SMEs are more likely to limit their business activity to subcontracted activities and to be more dependent on contractors, and more likely to receive technical instructions from contractors.

Offshoring/delocalisation

The current European business context is dominated by an acceleration of delocalisation among European companies. Offshoring/delocalisation began a few decades ago, when European companies started to settle in cheaper European countries like Spain. Thus, during the resurgence of the Spanish economy in the 1960s and 1970s, European companies' delocalisation played a key role in the economic restructuring process of the country.

Nevertheless, from the 1990s onwards, the process began to reverse: multinational corporations started their disinvestment in Spain, and started to move towards eastern Europe, North Africa or Asia. The reason for this relocation lies in their greater growth potential and better competitive advantages (primarily labour costs and taxes) than in the Eurozone. At the same time, Spanish companies, especially the largest ones, initiated a steady process of delocalisation abroad (MEPIMED, 2004; EOI, 2005).

With regard to specific data concerning offshoring/delocalisation processes among Spanish SMEs, unfortunately there are no specific sources or precise data available. In any case, the delocalisation degree of Spanish SMEs seems to be below the European average. Actually, it is large multinational groups that are benefiting the most from delocalisation processes, whereas so far the Spanish SMEs do not seem to have joined the offshoring/delocalisation movement significantly. Nevertheless, looking to the future, it is believed that SMEs will also take into account these processes to enable them to continue operating in a globalised market (EOI, 2005).

Finally, it is also worth noting that offshoring provides flexibility to companies. This gain in flexibility is especially useful for large companies, which are characterised by being more rigid than small ones. In any case, flexibility is a positive factor which is also good for SMEs, and they can also benefit from offshoring by reaching even greater flexibility (Linares Navarro, 2010).

Bankruptcy/closure

Concerning bankruptcies and closures, it is interesting to comment firstly on the Spanish Insolvency Law 22/2003. According to this law, when a debtor cannot pay its debts, either the debtor or one of the creditors can ask the commerce/mercantile authority to start an 'insolvency proceeding' (or 'procedimiento concursal' in Spanish). This petition facilitates the signing of an agreement between the debtor and the creditors, which allows regularisation of the debtor's situation. Moreover, this agreement aims at delaying final liquidation (that is, closure); in other words, one of the main objectives of this new legislation is to maintain economic activity by avoiding businesses' closedown.

The 'Statistics of Insolvency Proceedings' ('Estadística del Procedimiento Concursal') carried out by the Spanish National Institute of Statistics, has published data on a quarterly basis since 2004. Data on insolvent companies (that is, companies under insolvency proceedings according to the Insolvency Law 22/2003) can be disaggregated by company size (that is, number of salaried workers), although unfortunately data are very limited.

Accessible data show that in 2010 the total number of insolvent companies was 4,845. Among those companies, 46.2% had between six and 49 salaried workers, whereas 40.2% had between zero and five salaried workers. Only 2.75% of insolvent companies had more than 100 salaried workers (in this respect, it is important to remember that the Spanish economy is highly dominated by SMEs).

The effects of the international financial and economic crisis can be clearly observed, as the total number of insolvent companies grew from 2,894 in 2008 to 4,845 in 2010. With regard to company size differences, the total number of insolvent firms has increased in all categories, except for companies with more than 100 salaried workers. However, the proportion of the total has grown only for companies with zero to five salaried workers (as well as for non-classified businesses).

Table 3: *Number of insolvent companies by company size, 2008 and 2010*

Number of salaried workers	2008		2010*	
	Number of companies	%	Number of companies	%
0-5	1,052	36.35	1,949	40.23
6-49	1,383	47.79	2,237	46.17
50-99	194	6.70	234	4.83
More than 100	152	5.25	133	2.75
Not classified	113	3.90	292	6.03
Total	2,894	100.00	4,845	100.00

*Data 2010: provisional data.

Source: 'Statistics of Insolvency Proceedings' ('Estadística del Procedimiento Concursal'), (Spanish National Institute of Statistics)

On the other hand, the Spanish National Institute of Statistics publishes another interesting statistical tool known as 'Harmonised Business Demography' ('Demografía Armonizada de Empresas'), which indicates the number of companies created and closed each year. In 2008, 287,550 new companies were established, whereas 342,264 businesses ceased to exist.

With regard to the disaggregation by the number of salaried workers, 76.1% of the newly established companies had zero salaried workers (218,746 in total). Next, new companies with one to four salaried workers made up 20.4% of the total, whereas new companies with more than five salaried workers represented only 3.5%.

Concerning the number of businesses closing, only in companies with zero salaried workers was the number of businesses created higher than the number of business 'deaths'. In any case, the proportion of companies with zero salaried workers represents more than a half of the total business closures.

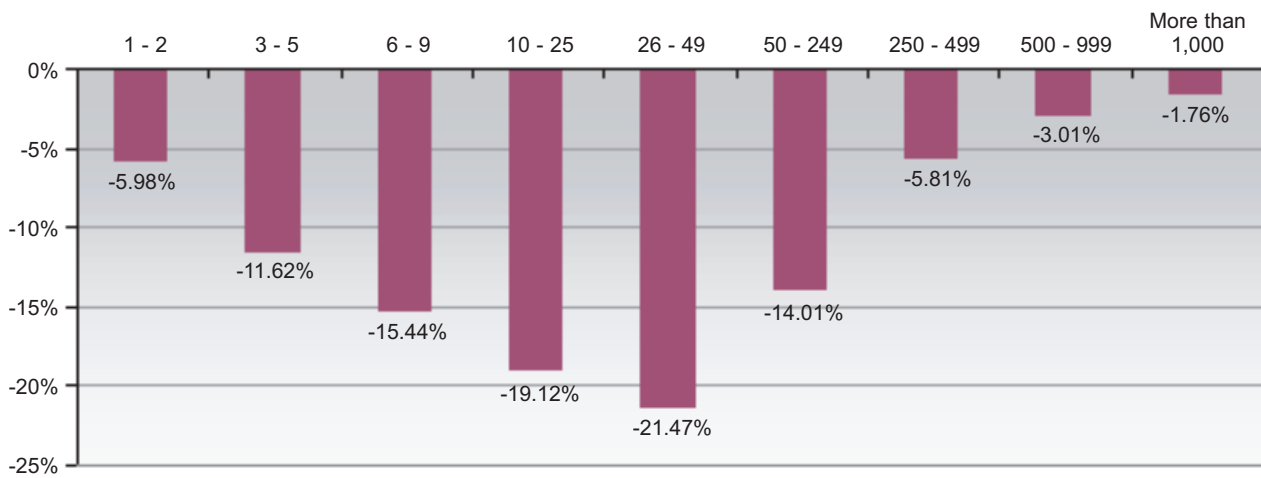
 Table 4: *Company 'births' and 'deaths' by size, 2008*

Number of salaried workers	Total	0	1-4	5-9	10 and more
Company births (absolute numbers)	287,550	218,746	58,647	7,416	2,741
Company births (%)	100	76.1	20.4	2.6	0.9
Company deaths (absolute numbers)	342,264	193,639	134,911	10,143	3,571
Company deaths (%)	100	56.6	39.4	3.0	1.0

Source: **Demografía Armonizada de Empresas, 2008** (Spanish National Institute of Statistics)

Finally, it is also possible to check the number of companies listed in Social Security registrations. According to these figures, between January 2008 and January 2010 the total number of companies registered fell by 140,127; that is, by 10% (Camison et al., 2010).

Figure 1: Variation in number of companies with salaried workers, by number of workers, 2008–2010



Source: 'La competitividad de las PYMES españolas ante el reto de la globalización' Camison et al., 2010 (based on data from the Ministry of Work and Immigration)

The decline has been particularly intense in the upper stratum of small firms (26–49 employees), in which the decrease was 21.5%, as well as in other small businesses (10–25 employees), reduced by 19.1%. Midsize companies have been similarly affected (with a decline of 14%), noticeably worse than the decline of large companies.

The advantages of SMEs related to flexibility, innovation, quality, service and specialisation leave them more exposed to cyclical changes in the short term. The smaller decline of microenterprises (5.6%) in comparison to small and medium-sized companies is due to the fact that this group grows when it takes in larger companies that lose size. It is also expanded by start-ups resulting from the increased unemployment rate (and the consequent need for many workers who have lost their jobs to start their own business activity).

In short, as a result of the economic crisis, there has been a decline in the average size of firms. Larger firms have reduced employee numbers (which reduces the number of large and medium-sized companies), whereas, at the same time, the number of microenterprises has remained much more stable (Camison et al., 2010).

Merger/acquisition

Broadly speaking, it has been since the second half of the 20th century that mergers and acquisitions have acquired more relevance in the business world. More precisely, from the 1980s onwards these operations have become a very significant phenomenon in international financial markets.

With regard to available information sources, three have been identified, but unfortunately their figures/results do not correspond. This could be because it is not easy to get official numbers on this issue, and available reports specify that figures given are approximate, as not all operations are officially registered.

To start with, the 'Mergers and acquisitions as a formula for company growth' report, published by the Spanish General Directorate of the SME (DGPYME) in 2007, estimates that in 2005 Spanish SMEs carried out around 2,308 operations of buying and/or selling in the national market, which equated to approximately €41,607 million.

It is estimated that the average value of these operations varies greatly with company size, as follows:

- €164 million for large companies;
- €16 million for medium companies;
- €2 million for small companies.

In addition, data show that in 2005 only 1.2 out of 100 SMEs carried out a merger and acquisition process, in comparison to 3.3 out of 100 large companies. As an average, in the European Union as a whole there are three times more operations in large companies than in SMEs. However, and in comparison to other countries, the ratio of M&A (mergers and acquisitions) operations among Spanish SMEs is relatively low.

Table 5: *SMEs carrying out merger and acquisition operations over the total number of SMEs in seven EU countries, 2005*

Countries	% of operations over total SMEs
Spain	1.2
France	1.4
Germany	0.8
The Netherlands	2.2
Belgium	1.7
United Kingdom	3.1
Italy	1.6
Average	1.7

Source: **DGPYME, 2007**, from *OnetoOne 2006 and Thomson Financial*

In Spain, 82% of the operations were of 'buying and selling', and only 4% were 'mergers'. Out of the acquisition operations among SMEs, the main participants were industrial groups (49%) and risk capital societies (21%). Among large companies, these percentages are 40% and 18% respectively, with financial groups being frequent stakeholders (22%) (DGPYME, 2007).

The report 'Analysis of mergers and acquisitions processes among Spanish unlisted companies, 1999–2006' also published by the Spanish General Directorate of the SME (DGPYME) provides information on mergers and acquisitions among Spanish unlisted companies. There were a total of 10,468 processes of business concentration; that is, around 1,000 per year during 1996–2006. The highest number of operations was in 2002, with 1,182 operations (11.3%).

Table 6: Merger and acquisition operations, 1996–2006

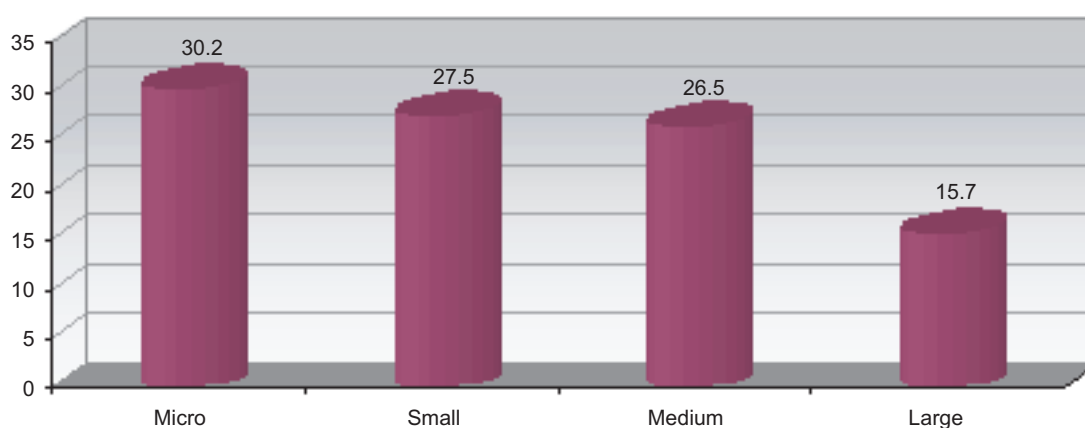
Year	M&A
1996	583
1997	698
1998	854
1999	965
2000	1,141
2001	1,173
2002	1,182
2003	1,039
2004	972
2005	898
2006	963
Total	10,468

Source: Analysis of mergers and acquisitions processes among Spanish unlisted companies, 1999-2006. DGPYME. Data from Official Bulletin of the Trade Register (BORME) and DGPYME-SABI M&A Database.

Note: it is calculated that the operations registered in databases account for between 75% and 80% of total real numbers

It is possible to disaggregate data according to the size of the companies resulting from these operations, providing a general overview for the whole period. As data show, 15.7% of the resulting companies are large, whereas almost double this number (30.2%) are microenterprises. Meanwhile, small and medium companies make up similar proportions (26.5% and 27.5% respectively). Therefore, in the period 1996–2006 SMEs completed the highest number of merger and acquisition operations, and amongst them, microenterprises boasted the highest share. However, in relative terms, 30.2% implies a low representativeness among microenterprises, taking into account that in 2005 they accounted for 94% of the total number of companies in Spain.

Figure 2: Merger and acquisition operations by size (aggregated, in %) 1996–2006



Source: Analysis of mergers and acquisitions processes among Spanish unlisted companies, 1999-2006. DGPYME, data from Official Bulletin of the Trade Register (BORME) and DGPYME-SABI M&A database

The proportion of M&A operations resulting in micro and small enterprises grew over the period analysed. Thus, as indicated in the following table, the percentage of M&A giving rise to microenterprises increased from 24.3% in 1996 to 36.2% in 2006, whereas among large companies numbers decreased from 26.4% to 12.1%.

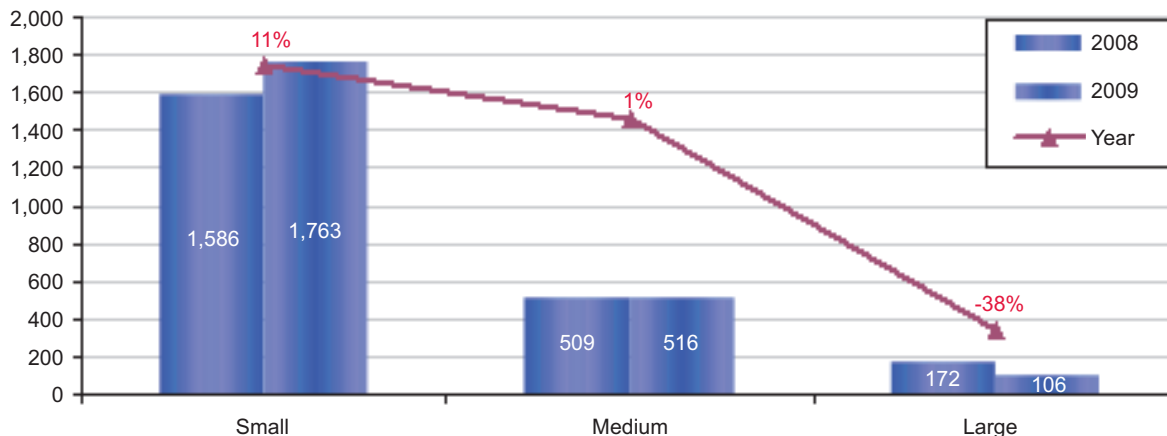
Table 7: *Merger and acquisition operations by size, 1996, 2001, 2006 (%)*

	Micro	Small	Medium	Large	Total
1996	24.3	22.0	27.3	26.4	100
2001	30.7	27.4	27.6	14.4	100
2006	36.2	31.0	20.6	12.1	100

Source: *Analysis of mergers and acquisitions processes among Spanish unlisted companies, 1999-2006*, DGPYME, data from *Official Bulletin of the Trade Register (BORME)* and *DGPYME-SABI M&A database*

Finally, a third source of information, a private consultancy firm, estimates that in Spain there were 2,385 mergers and acquisitions in 2009 (One to One Capital Partners, 2010), excluding microenterprises (that is, companies with fewer than ten salaried workers). Moreover, it is estimated that the size or value of mergers and acquisitions has progressively decreased, mainly because a growing number of them involve SMEs. Thus, in 2009, 74% of operations took place among small enterprises (1,763), 22% among medium enterprises (516) and only 4% among large companies (106). Compared to the previous year, these operations increased by 11% among small companies, but decreased by 38% among large companies.

Figure 3: *Numbers of merger operations by company size*



Source: One to One Capital Partners, 2010

Additionally, this report states that SMEs are increasingly seeing mergers and acquisitions as a strategic alternative, which allows them to develop expansion plans or guarantee the future survival of the business. Furthermore, financial institutions play a key role not only as resource providers, but also as entities increasingly interested in enhancing their industrial portfolios.

Internal restructuring

To start with, it must be said that ‘internal restructuring’ is a very broad concept covering various forms of organisational change, employment change and/or change in business practices and products.

The **Ministry of Work and Immigration** publishes the Bulletin of Labour Statistics ('Boletín de Estadísticas Laborales' in Spanish), which includes several series of statistics concerning the labour market, working conditions and labour relations, etc. Data have been periodically published for the last ten years (the periodicity – monthly, quarterly, etc. – depends on the variable or topic).

With regard to internal restructuring processes, the Bulletin of Labour Statistics includes interesting information on 'plans for the adjustment of employment levels' (or 'EREs' in Spanish). Just to give some background on the issue, it is worth explaining that Spain has recently introduced labour legislation reform (Law 35/2010 and Royal Decree 801/2011), mainly as a consequence of the international economic crisis. This reform was aimed at promoting internal flexibility in the Spanish labour market, and affected the administrative procedures of plans for the adjustment of employment levels. This new legislation clarified and smoothed these procedures, facilitating the process for companies.

According to Spanish legislation, the plans for the adjustment of employment levels (or EREs) can be of three different types: (1) termination of working contracts (that is, collective dismissals); (2) temporary suspension of working contracts for a fixed period of time; and (3) reduction of working time (that is, short-time working arrangements (STWA)).

Moreover, according to legal requirements, the Labour Authority must revise and approve plans for the adjustment of employment levels (EREs) before they are put into practice. For the Labour Authority to approve an 'ERE' a consensus must be reached between the management board and the works council. Thus, if an agreement between the two is not signed, the company cannot present its plan for the adjustment of employment levels following established 'ERE' proceedings, and the process will not be supported by the public authority. In other words, the company can still dismiss the employees, but all costs and consequences are exclusively assumed by the company (it could be assumed that a large share of SMEs, specially the smallest ones, do not benefit from these ERE proceedings).

When a plan for the temporary adjustment of employment levels is approved, the work activity of the workers is temporary suspended (for example, they only work a few hours per day, or some specific days per week). In these cases, and following the Spanish legislation, during the days when employees do not work, they receive the equivalent proportional part of their unemployment benefit from the state public authorities, in order to compensate the decrease in their salaries for working fewer hours.

In 2010 a total of 17,269 EREs were approved, of which 15,399 (89.2%) were for SMEs. If the different types of EREs are considered, almost two-thirds were suspension EREs, which entail the temporary suspension of the working activity. Small companies are less likely to put in place plans for dismissals; as the size of the company increases, this type of ERE is more common (for example, 6.1% among companies with one to nine salaried workers; 90.8% among companies with 5,000 or more salaried workers). Conversely, short-time working arrangements occur more frequently among SMEs than large companies (for example, 18.4% among companies with one to nine salaried workers; 0.3% among companies with 5,000 or more salaried workers).

SMEs have fewer employees, so they do not have as much leeway as large companies. Thus, SME employers prefer reducing working time rather than dismissing employees, in order to retain the knowledge and skills of a capable workforce within the organisation. This could partially show an increased commitment and responsibility of SMEs towards employees.

Table 8: *Number of EREs authorised by type and company size, 2010*

Company size (number of salaried workers)	2010							
	Total		Dismissals		Suspension		STWA	
	Number	%	Number	%	Number	%	Number	%
Total	17,269	100.0	3,481	20.2	10,611	61.4	3,177	18.4
1–9	7,153	100.0	439	6.1	4,690	65.6	2,024	28.3
10–24	4,279	100.0	676	15.7	2,898	67.4	723	16.8
25–49	1,955	100.0	373	19.1	1,340	68.5	242	12.4
50–249	1,994	100.0	634	31.8	1,210	60.7	150	7.5
250–499	427	100.0	192	45.0	209	48.9	26	6.1
500–999	353	100.0	187	53.0	162	45.9	4	1.1
1,000–4,999	361	100.0	318	88.1	37	10.2	6	1.7
5,000 and more	729	100.0	662	90.8	65	8.9	2	0.3

Source: *Ministry of Work and Immigration*, Bulletin of Labour Statistics

The number of EREs authorised clearly reflects the high impact of the economic crisis on the Spanish business network. Thus, the total number of EREs in Spain increased from 3,481 in 2006 to 17,269 in 2010 (nearly five times more). This high growth has been caused by the increase of suspension plans and short-time working arrangements in an effort to apply flexible and temporary measures that help companies to get over the effects of the crisis.

With regard to SMEs, there were a total of 1,976 EREs authorised in 2006, in comparison to 15,399 in 2010. These represent 56.8% of total EREs in 2006 and 89.2% of EREs in 2010.

 Table 9: *Number of EREs authorised by company size, 2006, 2008 and 2010*

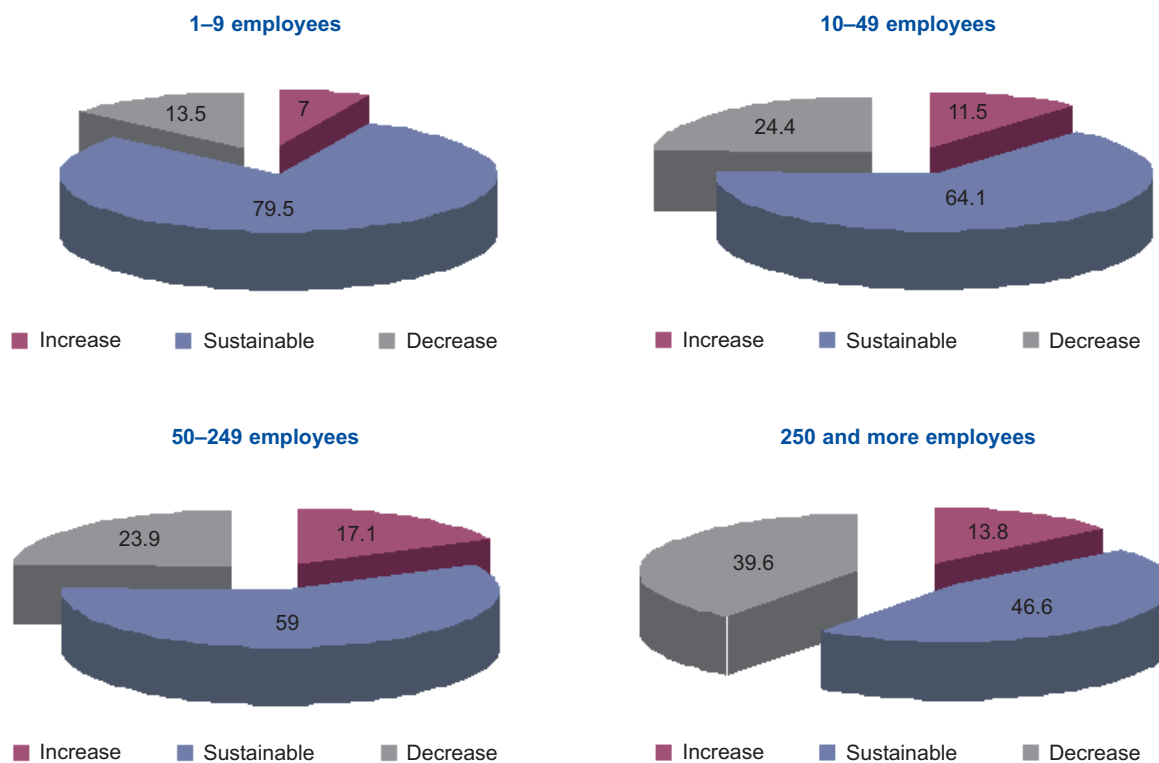
Company size (number of salaried workers)	EREs authorised		
	2006	2008	2010
Total	3,481	6,246	17,269
1–9	858	1,645	7,153
10–24	579	1,363	4,297
25–49	237	683	1,955
50–249	302	924	1,994
250–499	89	283	427
500–999	76	187	353
1,000–4,999	237	367	361
5,000 and more	1,103	797	729

Source: *Ministry of Work and Immigration*, Bulletin of Labour Statistics

Finally, it is interesting to comment on the ‘Indicator of Business Confidence’, published on a quarterly basis by the Superior Council of Chambers of Commerce. The results for the second quarter of 2011 show to what extent the number of salaried workers in Spanish companies varied in comparison to the previous quarter (the first quarter of 2011).

Available data show that in the majority of the cases the number of workers remained stable, although stability is higher among smaller companies.

Figure 4: Evolution in the number of employees during the second quarter of 2011



Source: 'Indicator of Business Confidence'. Superior Council of Chambers of Commerce, July 2011

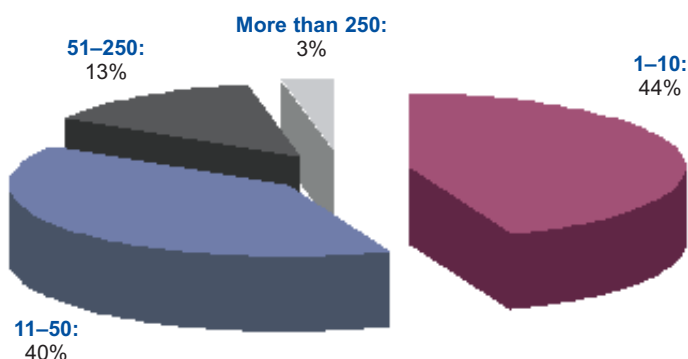
Business expansion

Business expansion is a type of restructuring process by which a company extends its business activities. There are many ways for a company to extend its operations, but one of the most common routes is business internationalisation and exports increase.

In recent years the Spanish economy has been characterised by greater openness towards outside markets. Thus, the share of Spanish sales abroad has increased, while the traditional trade deficit that characterises the Spanish economy has been maintained. More precisely, this deficit has increased over recent years, although this is not the result of a reduction in exports, but of a growth in imports (DGPYME, 2009).

Regarding the size distribution of Spanish exporting firms, data for 2007 indicate that 97% of exporting companies were SMEs, and 44% had between one and ten salaried workers (Camison et al., 2010).

Figure 5: Distribution of exporting firms by number of employees (2007)



Source: La competitividad de las PYMES españolas ante el reto de la globalización, *Revista de Economía Industrial* (Ministerio de Industria). Camison et al., 2010

In order to analyse the activities of Spanish manufacturing companies in international markets, it is possible to use the ‘Survey on Business Strategies’ (‘Encuesta sobre Estrategias Empresariales’ in Spanish) elaborated since 1990 thanks to an agreement between the **Ministry of Industry, Tourism and Trade** and the **SEPI Foundation**, aimed at generating information on entrepreneurial characteristics and strategies implemented among Spanish business (DGPYME, 2009).

According to survey data for 2007, 62.3% of manufacturing companies export. However, this percentage varies positively with company size. Thus, the larger the company, the greater its likelihood to export. Thus 27.2% of microenterprises export, whereas the proportion increases to 77.5% for medium enterprises and to 91% for large ones.

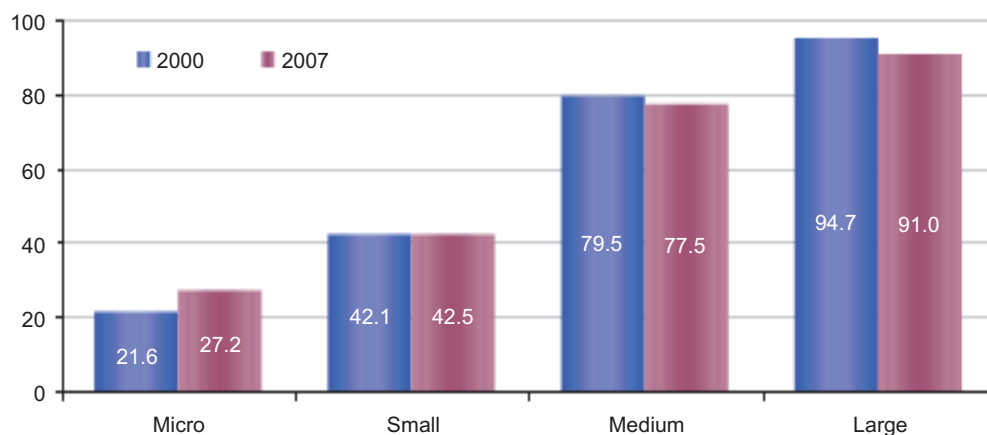
Table 10: Exporting manufacturing companies by size, 2007 (% over the total of companies by size range)

Countries	%
Micro	27.2
Small	42.5
Medium	77.5
Large	91.0
Total (average)	62.3

Source: DGPYME, 2009 (based on data from the Encuesta sobre Estrategias Empresariales)

For the period 2000–2007 it is possible to observe an increase in the proportion of smaller firm exporters, whereas among medium and large companies this proportion decreased slightly. Exporting microenterprises represented 21.6% of all manufacturing microenterprises in 2000, and this figure rose to 27.2% in 2007. Conversely, large companies suffered the greatest percentage drop, of nearly four points (DGPYME, 2009).

Figure 6: Exporting manufacturing companies by size and year, 2000–2007, % over the total of companies in that size range



Source: DGPYME, 2009 (based on data from the Encuesta sobre Estrategias Empresariales)

It is interesting to analyse the ‘export propensity’, the percentage of total sales aimed at the international market. For this variable, results again show a positive relationship between firm size and export intensity (that is, the larger the company, the greater the percentage of exports over total sales).

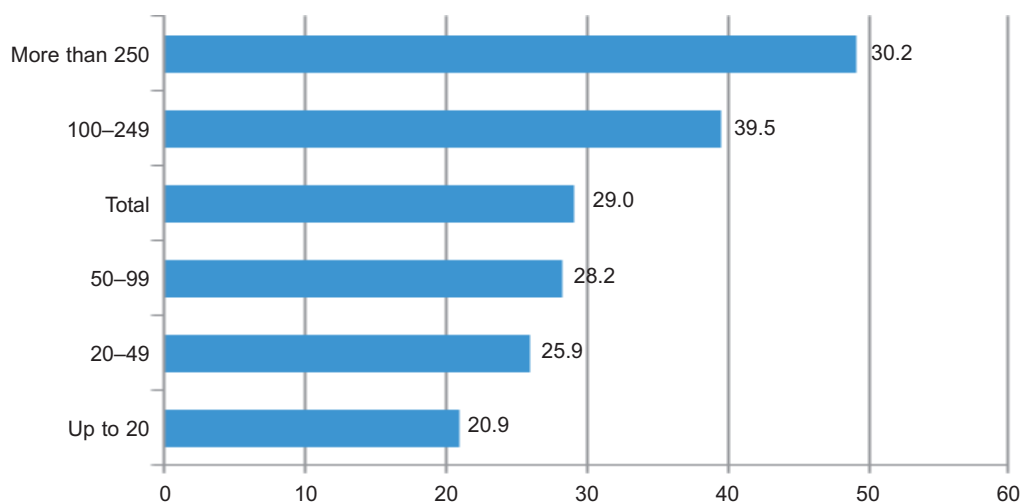
Table 11: Exports propensity by company size, 2007

% of exports over total sales	Micro	Small	Medium	Large
1–25	56.3	72.1	52.6	44.0
26–50	31.3	13.6	21.7	23.1
51–75	12.5	8.4	16.7	18.5
More than 76	0.0	5.8	9.0	14.4
Total	100.0	100.0	100.0	100.0

Source: DGPYME, 2009 (based on data from the Encuesta sobre Estrategias Empresariales)

The ‘Survey on the situation of internationalisation of Spanish companies’ developed in 2005 by the **Superior Council of Chambers of Commerce** in Spain focused on companies with more than ten employees. The study confirms that the importance of exports grows the larger the size of the firm. The percentage of companies that have developed investment activities abroad also increases with company size.

Figure 7: Percentage of companies with foreign activities carrying out investment activities abroad, by number of employees (2005)

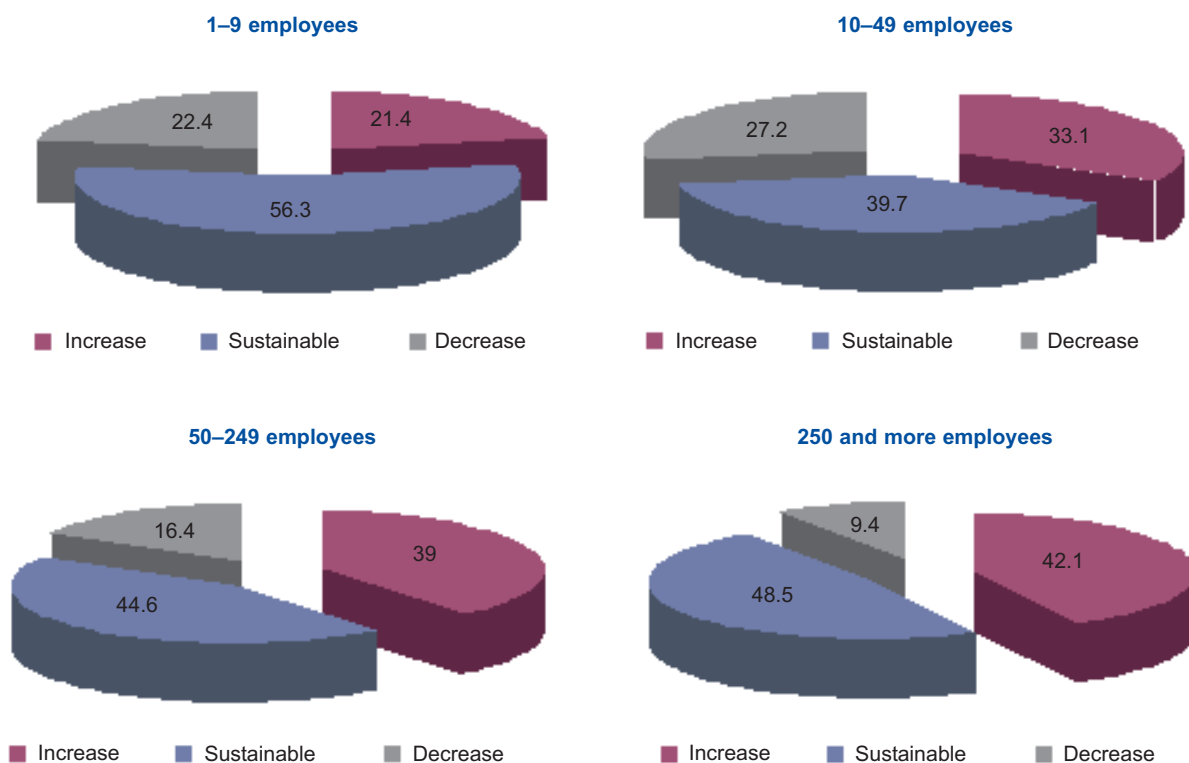


Source: *Encuesta sobre la situación de la internacionalización de las empresas españolas, Cámaras de Comercio, 2005*

Finally, the ‘Indicator of Business Confidence’, published by the Superior Council of Chambers of Commerce shows how the exports of Spanish companies have varied in comparison to the previous quarter (the first quarter of 2011).

Available data indicate that 46.2% of companies surveyed consider their exports have remained stable. However, the larger the company, the higher the probability of growing exports. Thus, 42.1% of companies with 250 or more salaried workers consider exports have increased, in comparison to 21.4% of companies having one to nine employees.

Figure 8: Evolution of exports during the second quarter of 2011



Source: ‘Indicator of Business Confidence’, *Superior Council of Chambers of Commerce, July 2011*

To end, it is necessary to remark that business expansion can be favoured thanks to other activities besides internationalisation, such as new investments. The ‘Indicator of Business Confidence’ data suggest that 70% of companies consider investments remained stable during the second semester of 2011. With regard to differences by size, the percentage of companies estimating that their investments had decreased is higher among companies with 250 and more salaried workers.

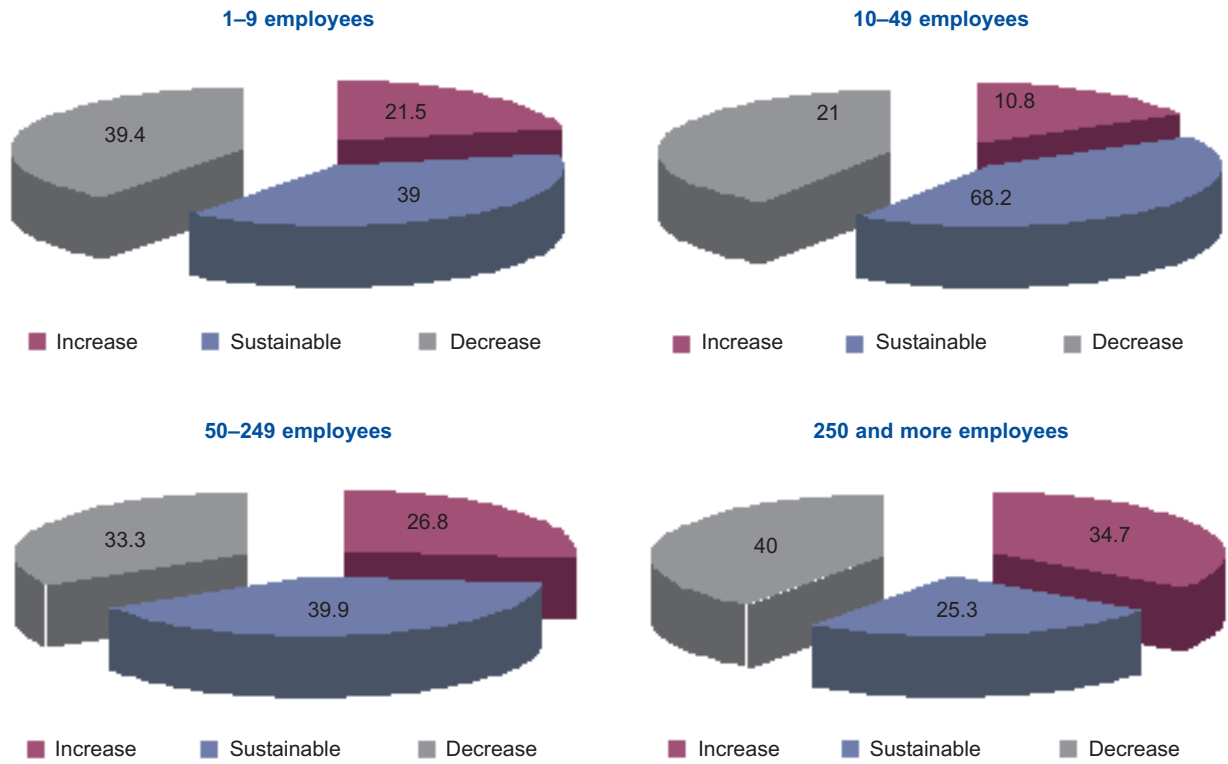
Figure 9: Evolution of investments during the second quarter of 2011



Source: ‘Indicator of Business Confidence’, Superior Council of Chambers of Commerce, July 2011

Interestingly also, with regard to business revenue, in all size ranges more than one-third of companies consider that this number decreased during the second semester of 2011. Moreover, the largest companies are more likely to have experienced a rise in business revenue (34.7% of the businesses with 250 or more salaried workers, 26.8% of the business with 50-249 salaried workers).

Figure 10: Evolution of business revenue during the second quarter of 2011



Source: 'Indicator of Business Confidence', Superior Council of Chambers of Commerce, July 2011

Drivers of restructuring

Fast technological developments, increasing globalisation, major demographic shifts, and of course the recent financial crisis, imply that companies need to continuously adapt in order to remain competitive and successful in today's marketplace (European Commission, 2008).

In Europe, the major driving forces of restructuring in SMEs are the same as in large enterprises. From a broad perspective, the business environment in general is (or can be) affected by trends such as (Voss, 2007a):

- globalisation, reorganisation of value chains and increasing competition;
- increasing pressure for skills development and training;
- privatisation and public sector restructuring;
- challenges due to demographic change.

Other reasons to carry out business restructuring operations include economic considerations and factors such as (Voss, 2007a):

- ensuring the survival of the enterprise in situations of serious economic difficulties due to profit losses, increased competition, market liberalisation, new competitive rules, financial constraints, etc.;
- reacting to changing and/or shrinking market demands;
- increasing profitability to satisfy pressures from financial markets, owners and/or shareholders;
- implementing and introducing new business models, products or services to react to changing markets and environments;
- poor management practices and failure, such as short-term strategies, wrong strategic decisions and/or failure to anticipate necessary adaptation measures.

On the other hand, according to Spanish literature, the international competitiveness of Spanish SMEs is conditioned by the following factors, which can actually give rise to restructuring processes (Camison et al., 2010):

- growing international competition from emerging countries with lower costs;
- deregulation and globalisation trends, leading to the configuration of large markets;
- increasing internationalisation, which entails an increase in competition and penetration of foreign capital in domestic markets, as well as the development of large companies;
- increased stock and flow of knowledge and innovations (along with an increasing number of institutions devoted to its spread), reflecting the increasing importance of intellectual capital and training needs;
- increased information and communication flows, linked to the development of information technologies, which will lead to greater information transparency;
- acceleration of the technological change, with consequences such as increasing barriers to entry and organisational development of R&D and innovation, through large-scale projects or cooperative patterns;
- digital economy and e-business development, and their consequences for technological change, distribution systems, knowledge, innovative potential and financial capacity (especially mechanisms such as seed capital, venture capital and business angels);

- requirement for flexibility and ability to adapt to changing environments;
- growing trend towards outsourcing and cooperation, along with interorganisational networks development;
- market evolution towards demassification and individualisation of demand, increasing its segmentation;
- increasing importance of the quality of products over tangible characteristics, which among other things leads to the emergence of new barriers to entry concerning quality standardisation and certification;
- increasing competitive value of logistics and transport systems, linked to the increasing importance of distribution networks and marketing infrastructure.

Finally, the ‘Survey on the situation of internationalisation of Spanish companies’ developed in 2005 by the **Superior Council of Chambers of Commerce** in Spain focused on companies with more than ten employees. This report states that as company size increases, foreign presence becomes more important in the structure of sales, and companies are more aware of the strategy they implement. Meanwhile, the smallest companies give more importance to exports as a way to avoid weak sales in the Spanish market.

Table 12: *Possible reasons for export activities by company size, 2005*

	Average score*					
	Company size					Total
	Up to 20	20–49	50–99	100–249	More than 250	
Markets/products diversification strategy	58.3	62.1	66.9	65.8	63.4	62.6
Rise in external demand	58.2	59.2	63.5	65.5	68.5	61.5
Promotional efforts of the company	54.8	60.5	57.5	61.2	53.5	58.0
Investments/ commercialisation	47.8	53.3	56.2	55.7	50.9	52.6
Weak sales in the Spanish market	40.7	40.8	36.3	33.6	34.9	38.4

* Average score: 0 to 100 scale (0= no incidence at all; 100= very high incidence)
 Source: ‘Survey on the situation of internationalisation of Spanish companies’, 2005

On the other hand, regarding the reasons leading to investments abroad, in general it is possible to conclude that strategic arguments are more important than the mere cost reduction. In any case, the largest companies reinforce the internal strategic argument, but as the size of the company decreases, the importance of cost reduction is higher.

Table 13: Possible reasons for investing abroad by company size, 2005

	Company size					
	Up to 20	20–49	50–99	100–249	More than 250	Total
Decisive factors when investing abroad. Average score*						
Facilitating the access to new clients and markets	69.1	78.2	68.2	65.1	72.4	71.5
Contact with consolidated clients	62.5	68.2	65.9	68.2	67.2	66.6
Following competitor's behaviour	44.7	48.2	50.7	53.8	54.3	50.0
Reducing prices of provisioning and logistics	48.5	43.5	50.8	48.5	37.1	45.6
Reducing costs of workforce	39.7	40.0	43.2	43.0	37.1	40.6
Reducing costs of elaborated materials and intermediate products	44.1	37.0	43.9	40.1	29.3	38.9
Reducing costs of raw materials	29.4	41.2	40.9	31.1	19.8	33.7

* Average score: 0 to 100 scale (0= no incidence at all; 100= very high incidence)

Source: *Encuesta sobre la situación de la internacionalización de las empresas españolas, Cámaras de Comercio, 2005*

Distinctive characteristics of restructuring in SMEs

Anticipation, planning and preparation of restructuring events

SMEs (particularly micro and small enterprises) are characterised by limited financial and personnel resources to prepare for and manage change. They do not have the ability to draw resources from other business units or subsidiaries, nor do they have any direct influence on prices, as industry leaders might have. There are also personal factors influencing the capacity to change, skills development and training, since strategies are very much driven by the owner of the company and are therefore conditioned by personal decisions, perceptions and ideas (Voss, 2007a).

Interestingly, it has been traditionally thought that SMEs do not plan their strategies in detail due to lack of time, lack of knowledge about the environment and the business, insecurity and lack of confidence in the management team, etc. However, some experts state that these circumstances have changed a lot over the last 20–30 years. Thus, for instance, recent literature shows that 50% of the Spanish SMEs (excluding companies with fewer than 20 salaried workers) devote a specific period of time to study strategic aspects of the business, and they write them down in explicit documents (EOI, 2003).

The reasons for this new attitude include a perceived or apparent need for planning strategies, as a consequence of a growing general trend to do it, given the continuously repeated idea of a changing and uncertain environment. Likewise, SME managers are more and more qualified and professional (EOI, 2003).

Managing restructuring

The Spanish business network is dominated by more than three million businesses whose workforce does not exceed ten workers. This small number of employees has a great influence on industrial relations and internal communications, as well as on the involvement and participation of the entire workforce (Gonzales Fuentes et al., 2009).

Thus, from a broad perspective, it is worth clarifying that SMEs are not just like ‘small large firms’; that is, SMEs differ from large enterprises not only in terms of quantitative aspects like the number of employees or turnover size. There are also qualitative characteristics which might be even more important.

In this sense, management practices and approaches which can be very useful for large companies might not be applicable for SMEs. Thus, many SME managers complain that experts and consultants provide management tools and theoretical concepts designed for large companies, but which in practice are not applicable in smaller firms. Table 14 shows some of the main differences which characterise small and large enterprises (EOI, 2003).

Table 14: *Differences between small and large enterprises*

Small enterprises	Large enterprises
<ul style="list-style-type: none"> • Little red tape • Quick decision-making • Risk assumption • High implication and motivation of the management team • Motivated staff • Quick communication. Short 'chains' for decision making • Quick reaction to change and markets' requirements • Control over small market niches • R&D efficiency • Ability to provide custom-made services • Ability to learn and adapt quickly according to the strategy • Appropriation of innovation income stemming from tacit knowledge 	<ul style="list-style-type: none"> • Systematic management abilities • Ability to control complex organisations • Possibility of distributing the risk among different products • Functional experience • Specialised personnel • Time and resources for establishing scientific and technological external networks • Availability of distribution and service facilities • Products with great market power • Economies of scale in R&D • Resources for establishing R&D laboratories • Access to external capital • Better ability to obtain diversity and synergy • Benefits from the learning curve through investment in production • Ability to absorb new knowledge and technology • Ability to build barriers to market entry

Source: 'Balanced Scorecard in SMEs as a key factor for growing and employment generation', *School of Industrial Organisation 2003*

With specific regard to family businesses, their culture is characterised by a greater degree of employee involvement, identification and loyalty, and by the existence of a more favourable organisational climate with higher confidence and cohesion levels. This type of organisational culture is considered to be an important strategic asset. The commitment of the company, based on a strong family culture, shared values and trust, can better motivate employees and guide efforts and resources in the same direction.

Furthermore, the key role played by human resources is highly conditioned by their knowledge and skills. In this sense, it is estimated that the education/qualification level of family SME managers is generally lower, mainly due to the following two reasons (Gonzales Fuentes et al., 2009):

- As a way to avoid a loss of control over the company, SMEs prefer to hire family members, who may not be qualified enough.
- Family businesses may find problems attracting qualified professional managers from outside the company. This is due to the unstructured nature of family SMEs, which tend to develop blurred lines of authority with no formal controls. Thus, external experts might find it difficult to develop a full professional career in comparison to family members, who might have better benefits and opportunities.

Finally, there is little information available regarding the management of restructuring (that is, what steps or procedures are applied). More information on each individual type of restructuring is available in Section 2 ('Relevance of different types of restructuring for SMEs').

Concerning delocalisation processes, some authors explain that the size of the business has an influence on the sophistication or complexity of the whole process. According to this approach, larger companies have greater capacity for applying strategies which imply a greater investment of resources and a higher risk, such as the creation of subsidiaries abroad. In other words, they are more likely to follow internal offshoring plans. Conversely, SMEs tend to apply foreign externalisation strategies (for example, foreign subcontractors), given that the resources (for example, economic, material, human resources) required are much lower (Linares Navarro, 2010).

Actors involved

Concerning management tools such as external assessment or consultancy services, there is a tendency for larger firms to turn to experts outside the organisation. A 2007 survey conducted by the Chamber of Commerce of Spain among family SMEs concerning the use of external consultants for internationalisation shows that the use of external advisors is lower in smaller firms (Gonzales Fuentes et al., 2009).

Table 15: *Companies that have contacted an external expert at some time by company size, 2007*

Company size (number of salaried workers)	% of affirmative answers
0–1	48.0
2–9	47.9
10–49	59.1
26–40	71.5
50–249	85.5

Source: *Gonzales Fuentes, et al, 2009. 'Family SMEs and its internationalisation. Current situation and perspectives.' Data from the 'Family SMEs Report 2007–2008' elaborated by the Spanish Chamber of Commerce*

On the other hand, and particularly concerning export behaviour, the decision maker's role is crucial, particularly in the case of SMEs. Thus, decision maker characteristics (for example, personal demographics, international orientation, management style, management and industry know-how, managerial competences and managerial expectations) or perceptions are crucial in determining the export behaviour of the firm (Stoian, 2006).

On average, younger managers seem to be more export oriented than their older counterparts. Interestingly also, it seems that there is a positive link between the educational level of the manager and the degree of export involvement of the firm. Moreover, SMEs involved in export activities are more likely to be run by managers with a high educational level, language proficiency, international experience, high risk tolerance, innovativeness, strong perceived export stimuli (and low and easy to overcome barriers), etc. Finally, the decision maker's social and business network is also said to be a relevant determinant of the firm's export behaviour (Stoian, 2006).

With regard to the involvement of public authorities, the Spanish government plays a role in the promotion of exports and international processes through the Spanish Institute of Foreign Trade (ICEX). It is also essential to mention the Spanish labour legislation reform (Law 35/2010 and Royal Decree 801/2011), which expresses public concern about the economic downturn and the employment and labour market implications of restructuring. One of the main interests of this labour reform is the regulation of plans for the adjustment of employment levels.

Finally, unfortunately, there is no information available on the level of involvement of works councils or trade unions.

Main challenges and constraints facing SMEs in restructuring

The internationalisation of the economy, continuous changes in the environment (and its subsequent uncertainty), increased competition between companies, need for continuous innovation and the increasing use of information technologies, have generated a new framework where companies have to face the challenge of improving competitiveness.

These new conditions are more difficult for SMEs to manage, given fewer resources and limited ability to generate the economies of scale that large companies have. In contrast, SMEs have greater flexibility, mainly derived from the simplicity of their organisational structure, and they can adapt and respond faster. In fact, flexibility is one of the most important identifying features of SMEs, and the source of many of their advantages, such as higher speed of response (Aragón Sánchez et al., 2003).

SMEs enjoy some advantages in comparison to large companies with regard to internationalisation processes, such as their ability to specialise in a differentiated product. Moreover, SMEs are much more flexible than large companies, a feature that allows them to adapt more easily to changing demand in highly specialised or highly innovative markets. For this reason, SMEs normally opt for concentration or specialisation strategies, with very few varieties of specific products for a limited number of market segments.

Conversely, in many cases SMEs have a scant initial knowledge about foreign markets, along with the uncertainties associated with the decision of going international. Actually, export managers often find themselves in situations where the lack of relevant export information constitutes an important barrier to initiating or developing export activities (Stoian, 2006).

Interestingly also, it has been traditionally accepted that large companies have better options for reaching agreements with providers from other markets. Moreover, delocalisation and offshoring processes imply very high costs for SMEs, so it is much more difficult for them to implement these strategies. However, some authors state that nowadays transaction costs have decreased considerably, both for large and small companies. Thus, finding subcontractors for SMEs has turned out to be much more affordable than before.

Size is not the only factor influencing internationalisation. Other aspects such as productivity levels, innovation, financial resources and cost structure, ability to plan accurate strategies, etc. are also determinants of competitiveness, growth and globalisation (Camison et al., 2010).

Concerning family SMEs, it is frequently said that they have difficulties internationalising their activities as a result of limited financial resources. However, there are other barriers. Family SMEs typically concentrate power and experience delay in succession processes and the prolonged stay of the same people in management posts. This can lead to slower progress concerning market openness, as family SMEs tend to limit their activity to covering the needs of local clients with whom they already operate.

Moreover, the strategic importance of intangible resources (such as reputable brands, technologies, or corporate culture) must also be noted. In general, all knowledge-based assets are essential to build on competitive advantages for the company. Knowledge development involves making long-term investments with a high degree of uncertainty. Although family businesses are characterised by long-term commitment, by nature they are conservative and low-risk, so they are less likely to make such investments (González Fuentes et al., 2009).

Finally, in general terms, many experts mention that cooperation agreements are an interesting strategic alternative for improving SME competitiveness and to overcome size-related barriers. Few companies own enough resources to manage all business processes or to implement restructuring strategies, especially SMEs. Thus, cooperation can give SMEs access to greater resources without necessarily merging, and therefore maintaining their flexibility (Aragón Sánchez et al., 2003).

Business support from public and private sources

Supply

Given the weight of the micro, small and medium-sized enterprise sector (99% of all enterprises) it is clear that SMEs play a major role in restructuring; they are affected by macro-economic restructuring processes and are heavily involved in measures to adapt to change. However, a common characteristic of public debates on restructuring is that they refer overwhelmingly to large enterprises. A common characteristic of restructuring in SMEs is that in most cases it is carried out ‘in silence’, without public attention. The term ‘silent restructuring’ is therefore commonly used to describe restructuring in SMEs (Voss, 2007b).

Research by the European Commission’s Directorate General for Employment, Social Affairs and Inclusion on restructuring shows that SMEs are frequently excluded from training and support provision. They therefore experience difficulties dealing with organisational change. This clearly represents an unfavourable scenario, especially given the importance of SMEs for jobs and growth in the EU (European Commission, 2008).

Spanish literature also remarks that the main focus of public policies has been on large companies, even though the effects of the crisis have been especially hard among SMEs. Actually, SMEs need public and public-private policies, developed at national, regional and local levels, to boost growth and overcome their disadvantages. Effective development of SME policies depends on knowledge of the sector. To undertake proper design, monitoring and evaluation, it is necessary to agree common definitions and approaches to improve the effectiveness of public decisions, as well as to choose an accurate set of measurable objectives (a collection of indicators) which facilitate the analysis and knowledge of the current business structure (Camison et al., 2010).

Exports and international processes have been strongly supported by the Spanish Institute of Foreign Trade (ICEX). One of its most successful programmes is the PIPE programme (Plan for Initiation in Exports), through which Spain provided strong export support to SMEs. Moreover, autonomous communities boast specialised agencies to support enterprise internationalisation processes.

With regard to the enterprise tax system, there are a number of fiscal incentives intended to promote company investments in different fields, such as R&D and innovation, new premises, enlargement of existing premises, etc.

Finally, several recent legislative changes, affecting bankruptcies and plans for the adjustment of employment levels should be mentioned. Firstly, the Insolvency Law 22/2003 regulated the so-called ‘insolvency proceedings’ (‘procedimiento concursal’ in Spanish), normalising the signing of an agreement between debtors and creditors as a way to reduce business closedowns. Secondly, in 2010–2011 Spain experienced labour legislation reform (Law 35/2010 and Royal Decree 801/2011), aimed at promoting internal flexibility in the Spanish labour market within the economic crisis context. The labour reform has allowed companies to benefit from incentives concerning plans for the adjustment of employment levels.

With regard to Insolvency Law 22/2003, the main Spanish Trade Unions (Comisiones Obreras-CCOO and Unión General de los Trabajadores-UGT) are asking for reform, so that collective partners have more say in the approval of ‘insolvency proceedings’. Thus, trade unions argue that with insolvent companies, and when approving plans for the adjustment of employment levels (‘EREs’), the period of time workers have to wait for administrative processes to regularise their labour situation should be shortened.

Concerning private support, sources suggest the majority of SMEs find it difficult to get financial resources, which is a problem for their growth and expansion strategies (Dirección General de Política de la PYME, 2006). Generally speaking, Spain does not have a very efficient and comprehensive network of financial support resources for SMEs. Although since the mid-2000s the Spanish banking system has developed a range of financial products, difficulties for SMEs still exist. Therefore, given the lack of traditional banking resources, ‘business angels’ can act as a substitute or complement. Business angels have become more important in recent years. Their contribution, especially through networks and agreements, is considered an essential tool for financing expansion and growth processes in small and medium firms.

Demand

Unfortunately, there is little information available concerning the support (public or from consultants, friends and family) SMEs take advantage of when restructuring. The Public Administrations Radar 2010 (Radar de Administraciones Públicas 2010) shows a picture of the financial support provided by public administrations to the Spanish business network in general. This report indicates that in 2010 the Spanish public administration provided more than €3,859 million in public aid (€1,714 million less than in 2009, a decrease of 30.7%). Furthermore, this financial aid reached a total of 51,704 companies (4% of the Spanish business network). The number of SMEs receiving financial public support (via at least one public subvention) was 50,127, 4% of all SMEs in Spain. In contrast, 1,577 large corporations received at least one public financial subvention (28% of Spanish large corporations). 75% of the available public funds were distributed among SMEs (in contrast with 62% for the previous year, 2009).

Public policies should focus on promoting SME internationalisation and facilitating their adaptation to the challenges globalisation poses. In this sense, SMEs demand that public policies should have the following aims (Camison et al., 2010):

- Stimulate the generation of distinctive competitive advantages to move from cost-based competition towards differentiation and specialisation strategies (highlight the importance of competitive positioning).
- Promote the improvement of economic efficiency and productivity, not by degrading working conditions, but by adding more knowledge and capital to the productive system.
- Enhance the entry of SMEs in the digital economy and ebusiness operations.
- Improve the provision of advanced technology assets to extend the technological capacity of the business.
- Develop skills for managing R&D and innovation.
- Make business aware of the competitive value of logistics, as well as of the need of developing distribution and marketing infrastructure networks.
- Encourage SMEs to develop high quality products, as well as to improve intangible aspects related to the product (such as design, quality, brand, etc.).
- Provide much more intellectual capital for managers and owners of SMEs, offering them more knowledge in business management.
- Implement intense and extensive programmes for the development of human capital skills.
- Encourage the implementation of information technology in products, processes and systems.
- Support the creation of inter-organisational networks and strategic alliances.

Outcome of restructuring events

Organisational effects

First of all, it is not possible to generalise the organisational effects of restructuring processes, as each company has its own background and results. Thus, the reasons why the restructuring process is implemented, structural characteristics of the firm, and the running of the restructuring process, are the main determinants of its outcome.

With regard to internationalisation and exports, the Strategic Plan 2009–2012 of the Spanish Institute of Foreign Trade (ICEX), states that empirical evidence confirms the existence of high benefits stemming from foreign trade and internationalisation. Thus, some of the advantages mentioned include:

- access to more markets, and of higher potential;
- optimisation of the structure of costs;
- reinforcement of the capacity to compete;
- incentive for innovation.

A recent study found that Spanish companies that export are more likely to survive than those which do not. The importance or effect of exporting is higher in medium and large companies. In other words, the long-term survival of small or microenterprises is conditioned less by exporting. Moreover, the economic sector also determines the need for exporting; more specifically, companies competing in intensive sectors with economies of scale or in scientific and highly technological sectors benefit much more from exports (Zapata, 2011).

Effects on employees

The European Trade Union Confederation (ETUC) believes that restructuring processes act as a great stimulus for economic development and progress. However, it is imperative that changes are properly planned, managed and monitored to avoid uncertainty and instability among workers (ETUC, 2007).

Depending on their specific form, restructuring processes can have, amongst others, the following consequences:

- job losses and unemployment;
- worsening of labour norms and working conditions (wages, working hours and social benefits);
- decline of union membership and coverage of collective agreements;
- weakening of lobbyists and their influence on business decisions;
- higher use of part-time contracts and temporary work contracts.

With regard to access to financing and other instruments to manage restructuring, SMEs occupy a disadvantageous position in comparison to large companies. As a result, SME restructuring often leads to layoffs and company closures (ETUC, 2007).

According to the opinion of the workers in the restructuring process, there is a huge difference between being employed in a small or large corporation. Workers in SMEs are particularly disadvantaged when it comes to legal coverage, information on rights and availability of resources. Indeed, workers in SMEs have fewer opportunities to receive practical support and advice or other resources in the event of dismissal.

Against this background, and as explained by most union representatives, the best way to face this challenge is to develop a local and regional system of cooperation composed by all stakeholders (for example, employers, workers, unions, public authorities, etc.). Actually, thanks to networking, workers' representative bodies in SMEs could gain bargaining power (ETUC, 2007).

Conclusions and policy issues

To start with, it is interesting to extract some conclusions from the available Spanish literature. First, in most cases, information on restructuring concerning SMEs is rather limited. The amount and quality of information available varies with regard to the seven main types of restructuring analysed throughout this report.

For business expansion, and mergers and acquisitions, it seems that there is ample information. On the other hand, for bankruptcy/closure and internal restructuring, there are a few official statistics that provide an interesting overview. For outsourcing and offshoring/delocalisation, information is scarce, and for relocation, there is no information available.

The following conclusions can be put forward.

- Concerning subcontracting relations, SMEs are more likely to limit their business activity to subcontracted activities and to be more dependent on contractors, as well as to receive technical instructions from contractors. The probability to act as a contractor, and the likelihood of already having the quality or technical certificates required by the contractor, are positively correlated to company size.
- With regard to offshoring, some authors explain that business size influences the sophistication or complexity of the delocalisation process. Thus, large companies are more likely to follow offshoring plans with their own resources, implying a greater investment and a higher risk. Meanwhile, SMEs tend to apply externalisation strategies (for example, through foreign subcontractors), given that fewer resources are required.
- As a result of the economic crisis, there has been a decline in the average size of firms. Larger firms have reduced employees (which reduces the number of existing large and medium-sized companies), whereas the number of microenterprises has remained much more stable. In 2008, three quarters of newly established companies had zero salaried workers. Moreover, the number of companies created was higher than the number of companies closed down only among companies with zero salaried workers.
- The average value (in €) of merger and acquisition operations varies according to size of company (the value of the operation is higher the larger the firm). In 2005, 1.2% of Spanish SMEs carried out M&A operations, in contrast with 3.3% of large companies. The proportion of M&A operations resulting into micro and small enterprises has grown, and SMEs are increasingly seeing these operations as a strategic alternative.
- The probability of applying employment adjustment plans based on dismissal/termination of contracts is higher the larger the firm. Conversely, short-time working arrangements are more common among SMEs. In fact, the number of workers is more stable in SMEs, as they do not have as much leeway as large companies, and they prefer to reduce working time rather than dismissing them, in order to retain knowledge and skills within the organisation.
- The proneness to export is higher the larger the company; that is, as company size increases, foreign presence becomes more important in the overall structure of sales. The percentage of companies that develop investment activities abroad clearly increases with company size. The proportion of smaller firms that carry out export activities has increased in recent years. With regard to reasons for internationalisation, large companies are more aware of the strategy they implement, and their internal strategic argument is reinforced; meanwhile, small companies are more likely to carry out more ad-hoc (and not so comprehensive) strategies.

On the other hand, and concerning the three case study companies, it must be concluded that the running of these firms has been especially conditioned by the current economic downturn. In fact, two of them were obliged to carry out internal restructuring processes as a result of the economic crisis. More precisely, given the sales and income decrease, in both cases a number of employees had to be dismissed. Amongst others, one of the consequences was the very bad impact on the social image of these companies.

Another interesting consequence of the economic crisis has been the growth of subcontracting practices. One of the companies interviewed is increasingly making use of subcontracting, as it gives more flexibility to face the ups and downs in demand levels.

Two of the companies have carried out business expansion processes. One of them extended its activities to deal with a new client in a different location, after having won a public tender. The second began an internationalisation process to increase sales in global markets (given the stagnation of the Spanish market). Opening a new plant implies many challenges, especially in a different country; the company has to learn about the new environment and clients, local business culture, etc. Concerning outcomes, the company that internationalised business activities confirmed they are now much more competitive and have enlarged their presence in global markets.

Generally speaking, continuous changes in the environment and new conditions are more difficult for SMEs to manage, given fewer financial and personnel resources. In contrast, SMEs have greater flexibility, mainly derived from the simplicity of its organisational structure, and they can adapt and react faster. Moreover, SMEs enjoy a higher ability to specialise in differentiated products and to offer personalised customer service.

One of the SMEs interviewed explained that they have closer personal relations with other businesses, providers, etc. than large companies; this implies stronger and more stable relations. Interestingly, the fact that employee numbers are lower positively influences industrial relations and internal communications, as well as involvement and participation. However, as an exception, one employer interviewed experienced great difficulties reaching agreement with workers to develop an internal restructuring process; negotiations with worker representatives turned out to be a very bad experience, ending in a strike.

SME strategies are very much driven by the owner and are therefore conditioned by personal decisions, perceptions and ideas. The importance of owners has been reflected in each of the case studies. Employees in one case study company consider management policies are less efficient and company results worse since the founders transferred ownership to their children.

Case study data show that companies have normally managed on their own, with very little support from external actors. Only in the case of internationalisation is public support said to be comprehensive and helpful. Many sources remark that SMEs are frequently excluded from public support provision. A common characteristic of public debates on restructuring is that they mainly refer to large enterprises, whereas restructuring in SMEs has been defined as 'silent restructuring'.

Public authorities should perhaps make an effort to better support SMEs in anticipating and managing change. SMEs play a major role in restructuring processes, especially given the weight of the micro, small and medium-sized enterprise sector in the whole business network (basically 99% of it).

In crisis times, and in comparison with large companies, SMEs tend to maintain employment levels, reducing working time instead of dismissing staff. No doubt this can be considered a strong point to improve public support for SMEs.

Public policies should stimulate the generation of distinctive competitive advantages, encouraging SMEs to develop high quality products and to improve intangible assets. SME entry into the digital economy should be enhanced, and the use of new technologies should be promoted. Likewise, public policies should support the creation of inter-organisational networks and cooperation agreements, as an interesting strategic alternative to overcome size-related barriers. Moreover, measures to promote the internationalisation of SMEs should be developed.

Thus, it can be concluded that there exists a policy gap on the issue, and more SME-specific tools should be developed, adapting support measures to the peculiarities of the SMEs. Furthermore, there is a need to increase information to SMEs, so that policies and support measures can be better designed and applied.

Finally, support measures are not only to be applied in difficult times (for example, during the application of plans for the adjustment of employment levels, bankruptcies and closures, etc.), but also during expansion.

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