



EDITORIAL

ITALIAN SMES AND NEW SCENARIOS IN THE CURRENT
GEOPOLITICAL TURMOIL

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Abstract

In this editorial of 1/2022 of Piccola Impresa/Small Business, which from now on will be available in open access by registering on the website, we cannot fail to bring to the attention of our readers the dramatic situation many European and Italian SMEs suffer from, both as a consequence of the health emergency caused by COVID 19 and the enormous turmoil generated by the conflict between Russia and Ukraine. These two shocks have generated negative impacts on the supply markets of raw materials and energy and have caused inevitable inflationary consequences and a slowdown in the economic recovery. Thus the resilience of many production systems is seriously at risk, especially those, like the Italian one, characterized by a very high number of SMEs, due to their resource constraints, lack of financing, and constrained managerial capabilities.

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As already discussed in the 2020 editorial (Pencarelli et al., 2020), the COVID-19 pandemic has triggered the largest public health crisis in living memory, with serious—and still unpredictable—consequences for the global economy. Available data clearly shows that SMEs have particularly suffered from the economic downturn: their inherent weaknesses have amplified and accelerated the effects of the crisis compared to larger firms (Cowling et al., 2020; OECD, 2020). Notably, in Italy, the COVID-19 outbreak challenged SMEs' survival after a decade of a slow and incomplete recovery (CERVED, 2021). In particular, the pandemic has caused serious economic, financial, and market difficulties for numerous companies operating in the sectors most penalized by the health restrictions (in particular companies operating in the tourism, culture, entertainment, itinerant trade, small-scale retail, and handicraft sectors). However, it has opened up growth opportunities for software houses, Information and Communication Technology consultants, telecommunications companies, digital publishers, e-commerce platforms, and logistics.

The COVID-19 crisis has also generated the opportunity to (re)think the economy and society as a whole (Barbier and Burgess, 2020), accelerating some already ongoing key global trends: innovation, digitalization, sustainability, and flexibility. For SMEs, this means “looking inward” to truly understand what is needed to move forward and activate those changes—in production systems, organizations, and relationships with the markets—that cannot be postponed any longer (Cortez and Johnston, 2020; Modena, 2020; Pencarelli et al. 2021).

For most SMEs, the ability to survive and seize the opportunities that emerged from the health emergency is linked, in addition to public subsidies, to superior strategic awareness, entrepreneurial competence, and speed of action of their leaders. They have been able to innovate the traditional business models, diversify activities, and propose new value proposals to the market, leveraging the new needs of the population and the need to make the most of the digitization of managerial processes, especially those of marketing and sales.

Unfortunately, since last February, following the war in Ukraine and the consequent sanctions that Western countries have imposed on Russia, a further terrible shock for many SMEs occurred. In addition to the discomfort of witnessing the tragedy of the war, which is causing numerous victims and an enormous exodus of the Ukrainian population towards European countries, for many Italian SMEs, the difficulties caused by the conflict are noticeable. Numerous commercial and tourist flows have been abruptly interrupted, forcing companies to rapidly search for new markets, to avoid bankruptcy. Added to this are the uncertainties and risks in supply chain management and the rise in energy costs (Simmons, 2022).

According to Cerved's estimates (2022), the impact of the war on the turnover of Italian companies is likely to be very significant; it could outweigh the economic consequences of the health crisis. For 2022, a growth rate of revenues in real terms is estimated to slow down to 3.2% — almost three percentage points less than the pre-war estimates (5.9%) — which stands at 2.2% for 2023, with a recovery of pre-Covid levels only postponed to the end of the year and of a much smaller entity than forecasted before the conflict. An even more worrying scenario would emerge if the hostilities continue for a long time and the effects of the increases on inflation become structural. In this case, the revenue growth of Italian companies could fall by more than 50%, although limited to sectors for which a more decisive recovery was expected this year (for example, tourism, airports, trade fairs, and conferences).

Under both the most optimistic or the most catastrophic scenarios, concrete measures to support companies in difficulty appear necessary. With this in mind, new non-repayable grants for Italian SMEs to cope with the economic effects of the crisis in Ukraine are contained in the DL Aid 2022, published in the Official Gazette on May 17, 2022. In particular, the support measure is intended for small and medium-sized enterprises that are in the following conditions: they have suffered a drop in turnover; they are required to bear higher costs and have commercial links with the territories affected by the Ukrainian crisis.

More generally, it should be noted that the Economic and Financial Committee of the EU Ecofin has given its approval to the disbursement to Italy of the first amount of the Next generation fund of 21 billion. The goal, recalled by the Governor of the Bank of Italy in his latest report (May 2022), is now to invest these resources in the best possible way (and quickly) to make the country system more efficient and sustainable, despite the geopolitical scenario being so dramatically complicated.

As scholars, we must look to the future to understand what social, economic, and political scenarios SMEs will have to face in the next months and to explore the critical strategic choices and policy measures that together will allow SMEs to revitalize and regain a leading role on the economic arena.

Finally, we hope that the international community will soon find the way to peace, which is the fundamental ingredient that ensures the prosperity and quality of life on the planet so that the huge war expenses can be translated into resources for the establishment and development of small innovative companies capable of enhancing the many entrepreneurial talents animated by the desire to do business to create economic and social value and thus increase the well-being of humanity, a vision that Prof. Mario Raffa recently passed away, certainly would have shared.

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