Austria's small and medium-sized enterprises form the backbone of the economy

In 2017, 99.6% of the companies in the market-oriented economy in Austria were small and medium-sized enterprises (SMEs), which corresponds to a number of approximately 337,800 enterprises. The SMEs employed a total of almost two million people including about 52,900 apprentices. SMEs are thus employers for about two thirds of the working population in the market-oriented economy.

Austria's SMEs account for more than 60% of the turnover, gross value added and investments in the market-oriented economy. In 2017, the turnover generated by SMEs amounted to about € 482 billion, the gross value added to about € 128 billion and the investment volume to € 24 billion. SMEs also account for around half of the € 66 billion of goods exports.

In general, the business situation of SMEs can be regarded as sound. For the 2017/18 financial year, Austrian SMEs achieved an average return on sales of 4.9%. A detailed analysis shows that about three quarters of SMEs operate in the profit zone and one quarter generates losses. In 2017/18, the average equity ratio of SMEs was 33% with more than three-quarters of the companies having positive and almost one-quarter negative equity.

A short-term annual comparison of 2016/17 shows a largely positive development of SMEs: the number of companies has increased by 2.7%. The number of employees in SMEs has increased by +2.0%. The turnover in SMEs increased by +6% in 2017 compared to 2016; also the value added (+4.3%) and the gross investment (4%) increased in this period.

An examination of SMEs by sector shows that within the market-oriented economy, the five largest sectors are trade, professional, scientific and technical activities, accommodation and food service activities, as well as construction and manufacturing. These sectors account for almost three quarters of enterprises and more than three quarters of the employment and turnover of SMEs in the market oriented economy.
New forms of enterprise are gaining in importance

One-person enterprises, i.e. enterprises without permanently employed staff, account for 37% of the enterprises in the market-oriented economy and thus represent a very significant group among Austrian SMEs. In the past ten years, their number has increased by 18% to more than 125,000 enterprises in 2017. The percentage growth is therefore higher than that of Austrian SMEs as a whole. The share of women is higher among one-person entrepreneurs (2018: 42%) than among the self-employed as a whole (34%).

Hybrid entrepreneurs are persons who are self-employed and in dependent employment at the same time. In Austria, these include 102,600 persons (17% of all self-employed persons). Their number is growing faster than that of the self-employed as a whole. The proportion of women among hybrid entrepreneurs amounts to 39%.

Start-ups play an increasingly important role in the Austrian business landscape. A recent survey conducted for the Austrian Startup Monitor 2019 shows that more than 2,200 start-ups have been founded since 2008. The annual growth (+12%) in the number of start-ups has been significantly higher than that of businesses in general (+3% annually). The proportion of women among the founders of start-ups has increased from 12% to 18% between 2018 and 2019. A share of 44% of Austrian start-ups pursue social and/or ecological goals (female founders with 63% more frequently than male founders with 39%).

The term "High growth enterprises" refers to strongly expanding companies that are also significantly contributing to the dynamics of the economy. In 2017, there were about 3,500 fast-growing companies in Austria, which by definition had an average annual growth in staff numbers of at least 10% over a three-year period. The share of fast-growing companies in total employer companies with 10 or more employees was 7.7%. The shares of high growth enterprises are particularly high in the business sectors information and communication as well as administrative and support service activities.

The majority of Austrian companies are family owned

Family-owned businesses account for the majority of Austrian companies and make a significant contribution to Austria's economic performance as they are also important employers and providers of vocational training (especially in rural areas). Due to their longevity and generally stable development they represent an important basis of the Austrian economic structure.

When applying the EU definition, almost 90% or 296,100 enterprises in the Austrian market-oriented economy are family enterprises in the broader sense (including one-person
enterprises). These companies employ 68% of the working population (or more than 2 million persons) and are responsible for 60% (or about €460 billion) of the turnover (in 2017).

Family businesses in the narrow sense (excluding one-person businesses) comprise half of all Austrian businesses (50% or 171,000 businesses) with a turnover of about €430 billion (56%) and about 1.9 million (64%) employees (in 2017). Tourism is the industry sector with the highest share of family businesses in Austria.

**Supporting SMEs and reducing the burden on businesses**

SMEs play a key role in the Austrian business landscape, but due to their smaller size they are also more affected by administrative burdens. Therefore, the aim of the Austrian economic policy is to work continuously towards removing barriers and promoting SMEs and entrepreneurship.

Since 2008, the annual review of the implementation of the Small Business Act (SBA) has provided a benchmark for the Austrian SME policy compared to other EU countries. The SBA provides a coordinated framework for SME policy and the promotion of entrepreneurship at EU level. This year's review confirms Austria's continued strong performance - especially with regard to the principles of "Skills and innovation", "Internationalisation", "Single market" and "Sustainability, environment and energy". Only in respect of the principle "State aid & public procurement", Austria is ranked below the EU average.

The target of the first SBA principle "Entrepreneurship" is to create an entrepreneur-friendly environment. With regard to implementation, Austria performs in line with the EU average. Challenges remain in the area of entrepreneurship education in primary schools and in view of the still lower share of people (as compared to the EU average) who consider entrepreneurship a desirable career choice. The measures recently implemented in Austria are targeted at raising awareness and promoting entrepreneurship at an early stage in schools and universities, such as the "Start-up Fellowships for Academic Spin-offs" or an initiative where female entrepreneurs are coming to schools ("Unternehmerin macht Schule"). In addition, a new "Start-up package" includes, among other things, the improvement of venture capital financing, the expansion of guarantees for young companies, the introduction of "regulatory sandoxes" and the introduction of new training formats for employees of start-ups.

With regard to the principle of "Second chance", which aims at giving insolvent entrepreneurs a quick restart, Austria remains in line with the EU average in this area. Over time, however, Austria’s overall progress in this area has been positive. In particular, the rapid handling of insolvency proceedings was positively highlighted. However, the fear of entrepreneurial failure
remains more pronounced in Austria than in other EU Member States. A key measure in this area is the amendment of the insolvency law, which came into force in 2019 and has made it easier for entrepreneurs to reduce their debts.

Within the scope of the principle of "Think small first", Austria has implemented a number of measures in recent years aiming at improving the regulatory environment and legislation for SMEs. Nevertheless, Austrian SMEs continue to face financial and administrative burdens that are not directly related to their core business. The most recent measures include the Tax Reform Act 2020 (“Steuерreformgesetz 2020”), which provides for a de-bureaucratisation and simplification of tax legislation (including the Income Tax Act, the Corporate Income Tax Act, the Reorganisation Tax Act). Within the framework of The Second Federal Legal Consolidation Act (“Zweites Bundesrechtsbereinigungsgesetz”) the tax legislation was also "cleared up" by repealing a total of some 2,500 legal acts at the end of the year 2018.

With regard to the principle of "Responsive administration", Austria is in line with the EU average, with a slightly positive development since 2008. This principle provides for the simplification of administrative procedures and the establishment of electronic government services as well as one-stop shops. In Austria, the "Digital Office" (“Digitales Amt”) project was launched at the beginning of 2019 with the goal of making the administrative procedures for citizens and businesses as digital as possible. Among other things, this project will create the legal prerequisites for the automated provision of certificates (e.g. trade licenses) in order to realise the "Once Only" principle. The Business Service Portal (“Unternehmensserviceportal – USP”) offers a central platform for companies in the sense of one-stop e-government and, since the beginning of 2018, also enables the establishment of one-person limited liability companies including their registration in the commercial register. Since the beginning of 2019, it has been possible to establish a limited liability company (“GmbH”) without the physical presence of the founders on the basis of the "Electronic Notarial Form Foundation Act" ("Elektronisches Notariatsform-Gründungsgesetzes").

The fifth SBA principle (“State aid & public procurement”) states that policy instruments should be used in a way that is fair to SMEs and that access to public procurement should be easy for them. Austria performs below the EU average on this principle. The SME share in public procurement is lower and public tenders are less often divided into lots as compared to other EU countries. In the context of amendments to Federal Public Procurement Act (“Bundesvergabegesetz”), various measures are planned to simplify the participation of SMEs in public tenders. For example, the announcements of tenders can be found centrally via the business service portal using a search function. It is also planned to eliminate the need for a proof of suitability for smaller contract values.
In terms of “Access to finance” for SMEs, which is reviewed in the sixth SBA principle, Austria performs once again in line with the EU average. Alternative forms of financing are slowly gaining importance in Austria and also the supply of bank loans is rated positively. The indicators for equity and venture capital are still below EU average, but financing through business angels is rated above average. This is where the many years of independent expertise of the "Austrian Federal Promotional Bank" (Austria Wirtschaftsservice GmbH, aws”) makes a contribution. The "Austrian Federal Promotional Bank" and the “Austrian Hotel and Tourism Bank” (“Österreichische Hotel- und Tourismusbank GmbH”, ÖHT) are offering a wide range of further financial support in Austria. The introduction of various digital tools, such as the "aws funding manager" (“aws Fördermanager”), the "aws DigiCoach” or "aws Pitch your Idea!" has simplified the submission and management of subsidy applications to aws. In addition, the networking platform "aws Connect" connects start-ups, established companies and investors. In order to support alternative access to financing, the law on “SME financing companies” ("Mittelstandsfinanzierungsgesellschaft") and the crowdfunding law ("Alternativfinanzierungsgesetz") have been introduced in recent years. "Direct Market Plus" is a service by the Vienna Stock Exchange offering companies with low capital requirements access to the capital market.

With regard to the principle of "Skills and innovation", Austria ranks above the EU average and has a high share of innovative SMEs. Within the framework of the “SME package” (“KMU-Paket”), the “Austrian Research Promotion Agency” (“Österreichische Forschungsförderungsgesellschaft FFG”) provides coordinated support for entry into innovation activities as well as for continuous research and innovation. In addition, programmes for the training and further education of skilled workers such as the "Digital Pro Bootcamps" are offered. Recently introduced measures to promote innovation also include the "Impact Innovation" programme, the "Innovation Cheque with deductible" ("Innovationsscheck mit Selbstbehalt") or the FFG’s "Ideas Lab" ("Ideen Lab") - also funded by the “National Foundation for Research, Technology and Development” ("Nationalstiftung für Forschung, Technologie und Entwicklung"). The “Digitisation Agency” ("Digitalisierungsgesellschaft") was founded in 2018 as a central platform to support the digitisation of SMEs. Moreover, the "KMU.DIGITAL" funding programme relaunched in 2019 is also assisting SMEs in implementing their digitisation projects.

In the field of "Sustainability, environment and energy" Austria ranks highest in the EU. A particularly high proportion of Austrian SMEs is offering green products and services, and is receiving public funding for the implementation of resource efficiency measures. The “Austrian Climate and Energy Fund” ("Österreichischer Klima- und Energiefonds"), for instance, is offering support measures for companies in the areas of sustainable energy supply and reduction of greenhouse gas emissions. “RespACT” is Austria’s leading platform for Corporate Social
Responsibility (CSR) that supports SMEs when entering into sustainable management by providing comprehensive information services. Since 2018, the Austrian Federal Promotional Bank aws has also been offering a financial grant for the establishment of energy management systems in SMEs.

Austria's ranking in the principles of "Single Market" and "Internationalisation" is above the EU average. Austrian SMEs are particularly active in trading with EU and third countries. At the end of 2018, a “Foreign trade strategy” (“Außenwirtschaftsstrategie”) was developed with the aim of promoting the competitiveness of the Austrian business location and encouraging SMEs to engage in internationalisation activities. Important programmes promoting internationalisation include the "go-international" programme as well as the "Global Incubator Network" (GIN) that provides a one-stop shop in relation to "Start-ups and Internationalisation".