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NICE Project

Innovative Operational Tools for Microenterprises' Competitiveness and Staff Well-being

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Work Package 2

Activity 2.3

Executive Summary

Consolidated deliverable with country-based evidence and results

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1. Introduction

This Executive Summary consolidates the findings from six analytical reports produced within the framework of Work Package 2, Activity 2.3 (WP2 A2.3) of the Erasmus+ NICE project – *Innovative Operational Tools for Microenterprises' Competitiveness and Staff Well-being*. The activity aimed to collect and analyse national evidence from Italy, Spain, Germany, Croatia, Slovenia, and from a transnational EU-level perspective, to create a consolidated knowledge base on the dynamics, challenges, and good practices that shape MSME competitiveness and employee well-being in a post-pandemic European landscape.

The COVID-19 pandemic acted as both an accelerator and a disruptor, challenging MSMEs to rapidly adapt to new modes of working, while exposing structural weaknesses in terms of workforce development, digitalisation, and human-centred innovation. The NICE project, through its structured analytical approach, responds to this urgent need by investigating what tools, practices, competences, and frameworks are required to strengthen MSME resilience in a human-centric and sustainable way.

WP2 serves as the research and analysis backbone of the NICE project. Its results are instrumental in shaping the training and capacity-building interventions foreseen under WP3. The activity included three phases: (1) setting a common implementation and action plan, (2) developing a shared methodology and templates, and (3) mapping, analysing and extrapolating country-specific findings. This Executive Summary concludes the third phase by providing an integrated narrative of the key insights derived from each country report.

The main objective of this summary is to distil the vast amount of qualitative and quantitative data collected by partners into a coherent framework that supports pedagogical and strategic decisions in the next work package. Specifically, this summary addresses:

- The current state of MSMEs across the participating countries in relation to workforce innovation and organisational practices;
- The most relevant and transferable innovative business models that link competitiveness with staff well-being;
- The challenges MSMEs face in implementing such practices;
- The skills, competences and enabling conditions that support sustainable change.

By drawing connections between national contexts and transnational trends, the summary aims to provide an integrated foundation for developing the training modules and learning tools of WP3. These will target both business owners and employees, supporting the development of inclusive, sustainable and performance-enhancing work environments across Europe.

In short, this document serves as both a consolidation of prior work and a launchpad for the project's next phase. It demonstrates the diversity of the MSME landscape in Europe, while identifying actionable pathways to promote well-being and competitiveness in tandem.





2. Methodology and Reference Framework

All country reports followed the standardised structure and guidelines established in WP2 A2.2, based on a common methodology and shared template. The methodological approach combined desk research on national and EU-level policies and statistics, case study examples and alignment with indicators, dimensions and domains defined in the NICE application form and implementation plan.

This methodology ensured consistency across partners, enabling effective cross-country comparison. The analysis was structured around three main pillars:

- Workforce skills and competence development
- Organisational innovation and transformation
- Business models for MSME competitiveness and staff well-being

This structure facilitated the extraction of training-related needs and solutions that reflect diverse institutional, socio-economic and cultural conditions across Europe.

3. Transnational Overview of MSMEs in the Post-Pandemic Context

Across all countries, MSMEs represent over 99% of enterprises and more than 70% of employment. The pandemic has served as a catalyst for transformation, exposing weaknesses in business continuity planning, digital maturity, and staff engagement. Several shared features emerged from the analysis:

- A slow and fragmented digital transition in micro-enterprises
- Limited innovation capacity, with reactive rather than strategic approaches
- Persistent skills mismatches, especially in digital and green sectors
- Informal and outdated HR practices
- Well-being initiatives largely dependent on individual leadership

Italy, Slovenia, and Croatia rely heavily on micro-enterprises in tourism and services, while Germany and Spain show more structured systems and institutional support. The landscape across Europe reveals not only common weaknesses, but also a broad spectrum of readiness levels that the NICE project must accommodate.

4. Dynamics of Innovative Business Practices

Across the six reports, a recurring observation is the progressive redefinition of what constitutes “innovation” within the MSME context. Innovation is increasingly perceived not only as the adoption of new technologies or digital tools, but as the capacity to reorganise work, engage employees meaningfully, and promote well-being as an intrinsic component of competitiveness. This broader understanding aligns closely with the NICE project’s dual focus on business performance and staff well-being and reflects the evolving socio-economic conditions in the post-pandemic recovery period.



The pandemic has acted as both a catalyst and a stress test for many MSMEs. In countries like Germany and Spain, companies with pre-existing digital infrastructures or VET partnerships were able to pivot more rapidly, introducing remote work systems, digital client services, or internal training platforms. In contrast, MSMEs in Italy and Croatia often lacked the foundational capacity or resources to react swiftly, underscoring the uneven preparedness across the EU.

Key innovative practices identified across countries include:

- **Adoption of hybrid work models:** While common in larger firms, MSMEs have also begun to explore hybrid or remote options—mainly in urban and service sectors—though often without formal policies
- **Internal training initiatives:** Several SMEs are investing in on-the-job learning, peer mentoring, or micro-training, recognising the limitations of external training offers
- **Digital process innovation:** Even traditional sectors such as manufacturing and tourism have seen the introduction of digital tools for supply chain coordination, e-commerce, or online customer engagement
- **Well-being pilots:** In Slovenia and Germany, SMEs have experimented with well-being assessments, coaching programs, or flexible scheduling aimed at reducing stress and increasing retention.

However, these innovations are often limited to isolated cases or early adopters. Their diffusion is heavily dependent on the presence of enabling environments—such as public funding, supportive institutions, or sectoral networks. In countries with active regional or local innovation hubs, like Croatia’s innovation centers or Spain’s chambers of commerce, the scaling of these practices is more feasible. Conversely, in rural or peripheral areas, MSMEs may remain disconnected from these dynamics.

The reports also show that innovation is not perceived uniformly. In some contexts, business owners equate innovation with increased complexity or administrative burden, which can result in resistance or inertia. Where innovation is framed as a way to support staff, improve well-being, and simplify operations, it is more likely to be embraced and sustained.

A final insight from the reports is that innovation should not be treated as a one-off change but as a gradual, iterative process. MSMEs require step-by-step guidance, real-life examples, and flexible frameworks to transition into more innovative, human-centered operational models. This observation is critical in informing the design and delivery of training materials in WP3, ensuring they meet MSMEs where they are—and not where policy assumes they should be.

5. Challenges to Implementation

The transition toward more sustainable, innovative, and human-centered business models in MSMEs is marked by a series of entrenched and overlapping challenges. These obstacles are both internal—linked to organisational culture and capacity—and external, relating to policy, funding, and infrastructure environments.

One of the most commonly reported barriers is the **lack of formalised HR structures**, particularly in micro and small enterprises. In many cases, HR tasks are managed directly by the business owner or delegated informally, resulting in limited strategic workforce planning, inconsistent





recruitment processes, and minimal attention to employee development or well-being. This issue is particularly acute in Italy and Croatia but is also noted in parts of Spain and Slovenia.

Resistance to change is another frequently cited challenge, especially among older or more traditional entrepreneurs. The shift towards digital processes, inclusive leadership, or even flexible work models is often perceived as a risk rather than an opportunity. This resistance is exacerbated by the perception that innovation requires costly investment or advanced technical know-how—factors that many MSMEs feel ill-equipped to handle.

Financial constraints further limit the ability of MSMEs to innovate. Access to funding—be it for training, technology, or well-being initiatives—is not always straightforward. Even when public support mechanisms exist, such as vouchers or subsidies, administrative complexity or lack of awareness often hinders uptake. This is especially true for the smallest businesses, which operate with minimal staffing and cannot afford the time or resources needed to explore new programs.

On the **educational and training side**, a misalignment persists between existing VET or lifelong learning offers and the real, evolving needs of MSMEs. Many training providers are still not responsive to the specific time constraints, formats, and practical applicability required by small business environments. Moreover, regional disparities—such as poor broadband access or concentration of training institutions in urban centers—create further inequalities in access.

There is a general **short-term mindset** among MSMEs. With survival and daily operations as the priority, long-term planning around workforce development, digitalisation, or sustainability is often postponed or deprioritized. This short-termism impedes the adoption of innovation as a continuous process and restricts the capacity for organisational learning.

To address these barriers, the upcoming WP3 training must take into account these structural limitations, proposing practical, modular, and accessible tools that are easy to integrate into day-to-day operations, and that help shift mindsets incrementally through evidence, demonstration, and support.

6. Good Practices and Transferability

Despite the challenges identified, each national report highlights a number of promising practices that demonstrate how MSMEs can, under the right conditions, implement meaningful innovations that link business performance with employee development and well-being.

In Croatia, initiatives such as the **PISMO incubator** offer tailored support for micro-enterprises in rural areas, combining digital training with infrastructure and mentorship. Similarly, **Italy's regional competence centers**—often developed through EU funding—are playing an increasingly important role in fostering upskilling, especially in manufacturing and services.

Spain's **public-private partnerships**, particularly those involving regional chambers of commerce, showcase how intermediary organisations can serve as crucial bridges between policy and implementation. These partnerships provide MSMEs with streamlined access to digital tools, training offers, and funding schemes, with a particular focus on adaptability and modularity.





Germany stands out for its embedded **dual VET system**, which continues to provide a strong link between education and enterprise needs. The country also offers examples of **workplace democracy and inclusive leadership**, especially in sectors with strong trade union traditions, which serve as useful references for integrating staff well-being into business culture.

In Slovenia, several **pilot projects** demonstrate the feasibility of implementing flexible work arrangements, well-being assessments, and internal leadership coaching—especially in SMEs involved in green or digital sectors. While these examples are not yet the norm, they indicate a growing openness to experimentation and organisational learning.

What unites these practices is their **local relevance and adaptability**. Rather than relying on generic models, successful initiatives tend to emerge when tools and strategies are co-developed with SMEs, tailored to sectoral needs, and supported by local or regional ecosystems. The challenge moving forward is not only to document these good practices but to translate them into **scalable, transferable formats** that can inspire and support similar actions in other contexts.

7. Key Skills and Competence Gaps

The following skills gaps were consistently identified across all country reports:

Type of Skills	Description
Digital skills	Digital tools use, e-commerce, cybersecurity; lagging behind EU average (esp. in Italy and Croatia)
HR & leadership	Staff motivation, onboarding, conflict management, strategic HR planning
Soft skills	Communication, problem-solving, adaptability – often absent in traditional management styles
Green skills	Environmental awareness, sustainable processes, especially in manufacturing and tourism
Entrepreneurial and Innovation Competences	The ability to identify market trends, take calculated risks, and integrate innovation into business models is underdeveloped

8. Staff Well-being: Emerging Trends and Needs

Across all reports, staff well-being is increasingly recognised as an important—albeit still underdeveloped—dimension of MSME sustainability and competitiveness. While there is a growing awareness that well-being contributes to retention, productivity, and employee satisfaction, its implementation remains largely informal, fragmented, and dependent on individual leadership attitudes rather than institutional frameworks.

The analysis reveals that **well-being practices are more frequently discussed than enacted**. In most MSMEs, there are no structured policies, KPIs, or dedicated roles to oversee this area.





Instead, initiatives are often introduced sporadically, for example in response to a specific crisis or employee request. This makes the impact of such actions difficult to measure or sustain.

Several recurring themes emerge across the national contexts:

- **Work-life balance** is a common concern, particularly in micro-enterprises where long hours and role overlaps are the norm
- **Mental health and emotional well-being** are gradually becoming topics of interest, though still rarely translated into action
- **Employee engagement** is often understood as informal loyalty or proximity to the owner, rather than an organisational objective
- **Flexible work arrangements**, when available, are seen positively but are often offered without clear frameworks or supporting tools

Where efforts exist—such as well-being audits in Slovenian SMEs or inclusive leadership pilots in Germany—they tend to remain isolated, with little spillover to other businesses or sectors. The lack of shared standards, benchmarks, or training tools makes it difficult for MSMEs to systematise and routinise well-being into their daily operations.

Many MSMEs **lack the confidence or resources** to invest in well-being, perceiving it as a luxury rather than a productivity lever. This perception is reinforced by the absence of concrete evidence or easy-to-use impact measurement tools suitable for small business environments.

WP3 will need to respond with **training formats and content that demystify well-being**, provide practical templates and examples, and frame it not only as an ethical imperative but also as a strategic asset. Bridging this gap between awareness and implementation is essential for embedding well-being into the broader innovation and competitiveness agenda for MSMEs.

9. Link with Training Strategy for WP3

WP2 findings enrich the initial structure proposal in WP3. Specific matched include:

WP3 Module	Confirmed by WP2 Findings
M1. Positive Work Environment	Lack of structured HR, need for culture and communication
M2. Assessment & Evaluation	No shared metrics on well-being or competitiveness
M3. Well-being Strategy Design	Need for institutionalised practices, not just ad hoc efforts
M4. Implementation	Lacking operational tools and follow-up procedures
M5. Employee Development	Need for leadership training and modular LLL pathways
M6. Sustainability in Well-being	Pilot practices exist but need systematisation and QA tools



10. Conclusions and Strategic Recommendations

This Executive Summary has consolidated the key findings from six national and EU-level reports produced under WP2 A2.3 of the NICE project, providing an integrated view of the current landscape, challenges, and opportunities for MSMEs across Europe. Despite national specificities, the analysis reveals a consistent set of issues affecting micro and small businesses: limited HR capacity, informal workforce practices, insufficient access to training, and a still-fragile integration of staff well-being into business models.

At the same time, the reports have brought to light several promising trends—ranging from digital experimentation and employee engagement pilots to modular upskilling schemes—that signal readiness for change when the right conditions are in place. There is a strong demand for practical, context-sensitive tools that enable MSMEs to take small but meaningful steps toward innovation and resilience.

In this light, the following strategic recommendations emerge:

- **Promote modular, time-efficient learning formats**, especially micro-learning and blended training solutions tailored to MSME constraints.
- **Embed staff well-being into strategic planning**, supporting employers with simple tools and practical guidance to assess, implement and monitor well-being initiatives.
- **Encourage leadership development**, particularly in micro-enterprises where decision-making and staff experience are closely tied to the owner's competencies and mindset.
- **Strengthen local ecosystems for training and support**, ensuring better alignment between VET providers, policy frameworks, and real enterprise needs.
- **Foster a culture of continuous learning and adaptability**, empowering both employees and employers to evolve with market trends and workforce expectations.
- **Make digital and green transitions more inclusive**, by designing interventions that are scalable to micro-enterprises and do not assume prior readiness.

These findings and recommendations not only conclude WP2's analysis phase but also directly inform the design and delivery of the WP3 training resources. The goal ahead is to ensure that what has been observed and learned from the field is transformed into accessible, actionable content—capable of generating tangible improvements in MSME competitiveness and workforce well-being across Europe.





Annex – Country Report Brief Overviews

EU-LEVEL

The EU synthesis report captures cross-cutting trends, challenges, and opportunities identified across all participating countries. MSMEs face a common set of issues: limited HR capacity, weak integration of well-being, underinvestment in digital and soft skills, and inadequate access to VET services tailored to their scale. The pandemic triggered a re-evaluation of work and workplace culture, but most changes remain partial or pilot-based. Key trends include an increasing demand for modular, blended learning formats and a desire for training directly linked to day-to-day business operations. There is consensus on the need for tools that are simple, scalable, and sector-sensitive. Green and digital transitions are slowly reaching SMEs, but only where strong intermediary support exists. The report underscores the gap between policy design and on-the-ground uptake, calling for better outreach, clearer communication, and co-creation of training solutions. Staff well-being is emerging as a competitiveness lever, but still lacks coherent EU-wide frameworks for implementation in SMEs.

GERMANY

Germany stands out for its robust VET system, dual training culture, and established social dialogue. The report shows that many SMEs benefit from institutional support but often remain conservative in experimenting with new work models like hybrid or remote work. Well-being is not systematically integrated into business strategy, although strong worker protections and democratic work environments compensate partially. Skills gaps persist particularly in transversal competences such as adaptability and communication, despite high levels of technical training. Leadership in small firms is often owner-driven and lacks formal development paths. There is significant potential to extend best practices from larger SMEs to micro-enterprises, especially in regions with innovation ecosystems. Lifelong learning is well supported by national infrastructure, yet participation drops off in smaller businesses. Key barriers include time, cost, and difficulty accessing tailored content. Mental health and inclusion are still under-discussed topics in traditional sectors.

ITALY

The Italian country report highlights a fragmented but dynamic landscape, dominated by micro-enterprises with limited formalisation of HR practices. The lack of structured workforce development strategies, combined with generational turnover and digital illiteracy, creates a fragile base for innovation. Informal leadership, low strategic planning, and poor access to modular training are common. Despite these gaps, recent national programs such as the GOL initiative and the National Recovery and Resilience Plan (PNRR) provide solid leverage for improvement. There is growing awareness of well-being, especially in sectors like tourism and services, but very few companies assess or integrate it formally. Dual systems and apprenticeships remain underutilised in small firms. Skills mismatches—especially digital, transversal, and green—are persistent across regions. Strong North–South disparities exacerbate the problem. Nonetheless, examples of local competence centers and public-private experimentation offer models to build upon.

SPAIN

The Spanish report outlines a service-oriented MSME sector marked by modest innovation dynamics and uneven digital transformation. Many firms rely on traditional management styles and lack dedicated HR functions, particularly in micro-enterprises. National strategies like the Plan Nacional de Competencias Digitales and the Startup Law offer systemic support, but many



SMEs struggle to access or interpret these tools. While interest in well-being is growing, few companies apply structured programs or measurement tools. Digital leadership, employee engagement, and assessment skills are in short supply. The role of regional Chambers of Commerce and digital hubs is highlighted as a positive force. VET and adult learning systems exist, but are not always aligned with real enterprise needs. Young people often lack career orientation toward small business. Still, pilot actions in blended learning and staff engagement are emerging, especially in more digitally advanced regions.

CROATIA

The Croatian report portrays an MSME ecosystem shaped by demographic decline, brain drain, and dependency on micro-firms in seasonal sectors. HR management tends to be ad hoc, with limited investment in staff development or innovation. Regional inequalities are stark, with coastal areas better positioned than the hinterland. VET reform is underway but still misaligned with local labor needs. MSMEs often cannot afford to release staff for training or hire new talent. Awareness of staff well-being is growing but lacks translation into tools, indicators, or operational practices. EU projects and smart specialization strategies are slowly fostering local innovation environments, especially through incubators and hubs. Digital transformation remains a major challenge. Basic IT skills are still lacking in many SMEs, particularly outside urban centers. A key issue is the disconnect between education and business, with low employer engagement in curriculum design or apprenticeships.

SLOVENIA

Slovenian MSMEs are pivotal to national economic resilience and regional development. The report highlights relatively high awareness of flexible work, team-based approaches, and employee well-being, particularly in urban and cross-border regions. Nonetheless, many micro-enterprises still lack the capacity to formalize well-being strategies or invest in upskilling. Vocational education is well embedded in the system, but modularity and adult re-training pathways remain underdeveloped. Access to training is uneven across regions. Digital Slovenia 2030 and recovery funding mechanisms offer strong support for digital and green upskilling. Still, many companies report uncertainty about how to access these resources. Pilot practices—like team coaching, leadership development, and mental health programs—exist, but are often isolated. The integration of well-being into operational and strategic planning is progressing, but not yet mainstream. Entrepreneurs still prioritize productivity over culture, though generational shifts are gradually changing this.

