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Faculty of European Studies

**The Role of Central Authority and Local Authorities in the
Development of Policies to Strengthen Small and Medium-Sized
Enterprises: between EU Policy and Israel**

LONG ABSTRACT

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Abstract

The contribution of Small and Medium-sized Enterprises (SMEs) is significant in a country's economic development. However, research regarding the influence of the Central Authority and Local Authorities on the development of national and municipal policies supporting small and medium-sized enterprises has been limited. This study focuses on an examination of the effect of policies developed by Central Authority and Local Authorities and through the cooperation between them, to support small and medium-sized enterprises in Israel and the European Union. In the study, a mixed methods approach was adopted. The research combined document analysis, qualitative analysis, and quantitative analysis, which included conducting semi-structured interviews with 29 functionaries serving in various positions in the Central and Local Authorities in Israel and owners of small and medium-sized owners, and the distribution of closed-ended questionnaires which were completed by 250 owners of small and medium-sized enterprises in Israel. The findings emerging from the study indicated that the participants perceived that the small and medium-sized enterprises in Israel had a significant role in the cities, economically, socially and politically, however, they generally regarded the support of the Local Authorities for small and medium-sized enterprises as limited. Furthermore, small and medium-sized enterprises encountered complex bureaucracy and regulations which often increased the difficulties that they faced. In addition, several of the participants in the study perceived that the Central Authority in Israel had minimal direct influence on the small and medium-sized enterprises. Conceptually, the small and medium-sized enterprises are influenced by the Central Authority and Local Authority and their situation can influence urban attractiveness. However, along with these relationships, the small and medium-sized enterprises are affected by the business environment. As has been suggested in the conceptual model that was proposed for the study, economic, social and political factors can affect the environment of small and medium-sized enterprises. Policies and programs in the European Union and Israel differ in the amount of support provided to the small and medium-sized enterprises. However, both in Israel and the European Union cooperation between the Central Authority and Local Authorities to carry out the responsibilities entrusted to the authorities is needed for the benefit of small and medium-sized enterprises.

Key Words: Small and medium-sized enterprises (SMEs), central authority, local authority, governance, economy

Introduction

Small and Medium-sized Enterprises (SMEs) form the foundation of an economy, by supporting business systems and through the creation of jobs. Small and medium-sized enterprises have taken on a significant role in the development of the economy of many countries including that of Israel and the countries of the European Union. The definition for small and medium-sized enterprises in the European Union relates to enterprises that employ fewer than 250 employees and in the European Union have “an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million” (CoR, 2003; in De Man, Munters, & Marx, A., 2016). Data from Europe has shown that in 2018, small and medium-sized enterprises made up 99.8% of enterprises in the non-financial business sector in Europe (European Commission, 2019). In Israel, of the 559,567 businesses operating in 2017, 99% of the business owners were owners of small and medium-sized enterprises (Small and Medium Business Agency, 2018). In Israel, where the general population is smaller than that in the European countries, the two existing definitions for small and medium-sized enterprises are aligned to the population size in Israel. Small and medium-sized enterprises are defined as enterprises that employ up to 100 employees or have a sales turnover of up to ILS 100 million (approx. EUR 20 m) annually (OECD, 2018).

Over the past few decades as the approach to governance in Israel and other countries in the European Union has transitioned from centralization to the adoption of a decentralized approach, the role of the central authority and local authorities in developing policies to strengthen small and medium-sized enterprises have changed. The development of the European Union led to an elevation in the level of decision making from decisions made at the level of the country, being advanced to collective decision-making amongst the European countries at the level of the European Union. Concurrently, the allocation of powers and authorities to subnational authorities has driven a process of decentralization. In Israel, the small and medium-sized enterprises have depended on support from local authorities, while the local authorities are dependent on central authority for budgeting and regulation (Small and Medium Business Agency, 2018).

A Short Bio

I hold a master's degree in Business Administration, from Peres Academic center, 2017, and a BA degree in Social Sciences, Economics, Psychology and Political Science, from Bar Ilan University. 2009. Over the past six years, I have served as Director of the "City" Center in Karmiel, on behalf of the Karmiel Municipality, and a Lecturer at the School of Practical Engineers at Ort Braude College, Karmiel, during the years 2011-2019.

Research Problem

Over the last few years, shopping malls and power centers have been established in Israel, in and around the cities. These commercial centers and networks have a large marketing power and are advantageous in their competition for consumers in compared to small and medium-sized businesses that are not organized and operate in city centers. The main reason for the establishment of "organized" trade throughout the country is the collection of building taxes and municipal taxes, with the desire to "benefit" the residents by establishing modern commerce and networks (Jelinek, 2009).

Without much attention to the social and economic implications of these changes and the effects that the changes had on the business environment, this process has led to deterioration in trade and business in city centers, on the main streets and in neighborhood commercial centers, leading to the undermining of the centers and the physical deterioration of the environment. Except for isolated and random cases, new commercial streets have not been established in Israel, despite the volume of their commercial space likely to have yielded higher municipal tax rates for the local authorities than that of a medium-sized mall or a standard Power Center (Administration, 18 December 2008). The expansion and strengthening of organized trade are a sign of concentration, lack of competitiveness and rising prices that ignited the social protest in the summer of 2011.

The power of "organized" trade is not an expression of operational efficiency or necessity, but the use of force to raise prices, create consumer habits adapted to increasing the profits of organized chains and trading centers, and create unequal competitive conditions vis-à-vis local small and medium-sized enterprises (Anon, 2005). Ownership of "organized" trade is not that of the local residents, and most of the income "flows" out of the community (with the exception of taxes allocated as municipal taxes and wages, usually low for workers). The contribution to the local economy is minimal, while severe damage may be caused to the local

small and medium-sized enterprises and local communities. Such a situation may also cause negative migration from the cities, especially of the younger generation.

It has been suggested that these trends can be stopped by introducing and implementing an economic policy of public investment in the commercial public spaces in the cities, through unifying the power of small and medium-sized business owners, the authorities, as well as through the influence of the community, which is the main beneficiary of open and truly competitive trade within the cities.

Urban renewal is one of the main goals of Israel's planning policy, as reflected in NOP 35. Considering the trend of the continuing crowding of the majority of the population (92%) in Israel in the cities, and the need to preserve open spaces, more recently, a number of actions have been initiated to implement this planning policy for urban renewal. Among them are the evacuation and construction of evacuation routes; the renewal of urban commercial centers (in the framework of Act no. 55/2008, initiated by the Planning Administration); the preservation of buildings and sites; the development of urban sustainability (such as the initiative of creating a forest city, a green building standard); the creating of affordable housing, and more (Gothelf, August 19, 2008) (Interior, 18 December 2008) (Anon., January 27, 2009) (35, NOP, November 25, 2005 edition) (NOP 35, November 25, 2005) (Raz Efron, 2008) (Anon., n.d.) Reports published by the Israeli Ministry of Economics show that in Israel, as in Europe, the situation of small and medium-sized businesses is not satisfactory, with shopping malls and shopping centers seem to be causing the weakening of small and medium-sized enterprises.

At the end of 2017, the total number of businesses in Israel, in the business sector only (including businesses that do not have employees and businesses in small VAT partnerships), stands at 520,000 businesses, of which 5.99% are small and medium businesses up to 100 employees. Of the jobs in the business sector, the small and medium-sized enterprises constitute about 53% of the product in the business sector, divided by size groups of all businesses. The small and medium-sized enterprises, employing 1-4 employees, number about 164,000 businesses, and they create about 11% of the employment positions in the business sector and contribute 11% of the business product. In addition to small businesses, there are also 260,000 self-employed persons without employees, who constitute 9% of the labor force in the business sector and contribute 3.7% of the business product. The number

of small and medium-sized enterprises employing 5-19 employees is about 54,000. They employ about 17% of employees in the business sector, and their share in the business product is 16%. The average number of small and medium-sized enterprises employing 20-99 employees stands at approximately 13,000 businesses, which employ around 17% of the employees that work in the business sector, and their contribution to GDP stands at 19% of the business product.

Between 2009 and 2013, the product of small and medium-sized enterprises expanded at a real annual rate of 9.3%. This is a high growth rate, resulting from increased overall participation rate in Israel of small and medium-sized enterprises in business-sector product relative to large businesses that did not grow during those years. If, in 2010, the business product of small and medium-sized enterprises was lower than the business product of large businesses, in the following years, the trend reversed itself. The GDP of small and medium-sized enterprises exceeded the GDP of large businesses, while in 2013, small and medium-sized enterprises generated 53% of business-sector product. Even in the context of employment, new small and medium-sized enterprises are contributing to employment opportunities in the Israeli market. New jobs were calculated as the net of workers hired less than those who left between 2014 and 2015, and the addition of these new jobs was 78% of the total new net jobs in the economy. The percentage of young businesses (operating less than 5.3 years) in Israel whose income deriving from exports accounts for over 50% of their income decreased from 9.1% in 2015 to 7.2% in 2016. These results ranked Israel as the fourth country among the developed countries participating in the annual Global Entrepreneurship Monitor (GEM) survey. The corresponding figures for veteran businesses (operating for over 5.3 years) is lower, and in the veteran businesses whose income deriving from exports accounts for over 50% of their income, increased from 3.0% in 2015 to 5.0% of the veteran businesses in 2016, placing Israel as 33 in the world out of 65 countries.

The difficulties and problems facing the small and medium-sized enterprises and the Central Authority and Local Authorities' role in developing policies to strengthen the Israeli small and medium-sized enterprises and the European Union were investigated as the focus of this study.

Gap in Knowledge

This study will assist in closing the gap in knowledge relating to cooperation between the Central Authority and the Local Authority in the development of national economic policy and municipal economic policy to strengthen small and medium businesses in Israel. A comparison with the policies promoting cooperation between Central Authority and Local Authority that are in place in the European Union adds extra understanding about the benefits of such policies. Through a deeper understanding of the perceptions of functionaries and owners associated with small and medium-sized enterprises in Israel, the findings from this study will add to the knowledge about the possibilities of building programs to promote small businesses both in Israel and the European Union, in cooperation with the Local Authority and the Central Authority.

Research Aims

1. To make a comparison between the State of Israel and the European Union regarding cooperation in the creation of economic policy between central government and local authorities
2. To investigate the situation of small and medium businesses in Israel economically, socially and politically.
3. To examine the extent to which cooperation exists between national and municipal economic policy towards the promotion of small businesses in Israel.
4. To examine the connection between municipal policy toward small businesses and urban attractiveness.

Research Questions

The research addresses the following research questions:

1. What differences and similarities exist between the State of Israel and the European Union regarding the role of the central authority and local authorities in the development of policies to strengthen small and medium-sized enterprises?
2. What is the economic, social, and political situation of small and medium-sized enterprises in Israel?

3. To what extent does cooperation exist between local and central authority policy towards the promotion of small and medium-sized enterprises in Israel?

4. What is the connection between the policies of local authorities in Israel towards small and medium-sized enterprises and urban attractiveness?

More specifically, in this study, research is conducted to add to the gap in knowledge about the influence of Central Authority and Local Authorities' policies on the strengthening of small and medium-sized enterprises in Israel. Despite the advances in actions and policies to support SMEs in Israel, the 3rd annual report of the Small and Medium Businesses Agency at the Ministry of Economy and Industry about the state of Israel's SMEs related to areas where Israel was trailing behind its global counterparts (Ministry of Economy and Industry, 2015).

Research Boundaries

The boundaries of the research covered small and medium-sized enterprises in Israel and in the European Union and the influence that the Central Authority and Local Authorities have on the enterprises.

To study the role of Central Authority and Local Authority in the formulation of policies to strengthen small and medium-sized enterprises in Israel and the European Union, a mixed methods approach was adopted. The research involved document analysis, quantitative research and qualitative research that were used complementarily, to take advantage of the strengths inherent in each type of research approach (Creswell, 2014). Semi-structured interviews and closed-ended questionnaires were used to understand the perceptions, attitudes and opinions of the research participants. The research participants included functionaries associated with small and medium-sized enterprises and owners of small and medium-sized enterprises in the cities.

The findings from the study reflected the perceptions of owners and functionaries of small and medium-sized enterprises about the important economic, social and political role that small and medium-sized enterprises play in the cities. The participants generally regarded the support of the local authorities for small and medium-sized enterprises as being limited. Some of the issues that small and medium-sized enterprises faced were connected to the complex

bureaucracy and regulations that they encountered. Opinions were divided in relation to the influence that Central Authority had on the small and medium-sized enterprises.

Background Data

- In 2017 there were 492,631 businesses in Israel. Of the businesses established in 2017, 58% do not employ employees and 72% of those that employ employees, employed 1-4 workers.
- By comparison in 1950, 50,600 businesses were operating.
- 95.5% (443,745 businesses by 2015) employ fewer than 20 employees; 80.5% of businesses in Israel employ only 1-4 employees.
- In 2016, 50,400 new businesses were opened, which added 85,000 jobs. 37,900 businesses were closed in that year.
- Over 60% of the labor force in the economy is employed in small and medium-sized enterprises.
- 76% of the businesses are in Trade and Services, with 54% of the revenue in the economy originating from the Trade and Services industries (only 29% of the industry).
- Lower unemployment levels in the small and medium-sized enterprises. It is easier to place 100 employees in 100 small and medium-sized enterprises than 100 employees in one factory.
- Small and medium-sized enterprises are also an independent employment solution for older residents, which is one of the biggest challenges in Israel. Over the age of 65, the rate of the self-employed reaches 37%.
- Small and medium-sized enterprises offer flexibility and diversity in the employment of employees as the city grows, both from the aspect of supply to the business owners and from the aspect of the employee's choice. 95% of the available positions today are in small and medium-sized enterprises.
- In 30% of the small and medium-sized enterprises, there is one employee, and their annual turnover is less than NIS 500,000 (about 130,000 small and medium-sized enterprises in Israel).
- In 87.8% of businesses there are fewer than 10 employees, and the turnover is lower than NIS 5 million a year.
- In 94.7% of businesses there are fewer than 20 employees, and the turnover is lower than NIS 10 million a year

Significance of the Research

Both in Israel and in the European Union, small and medium-sized enterprises are central to the economy and drive its growth. The small and medium-sized enterprises are often the largest employers in the country, in terms of total employment, although each small and medium-sized enterprise may only employ a few employees, and thus there is significance in supporting establishing and operating small and medium-sized enterprises. Little research has been published that provides insight into the perspectives and views of functionaries and owners of small and medium-sized enterprises in Israel. The study will contribute to a deeper understanding of the influence that policies enacted by the Central Authority and Local Authorities have on the small and medium-sized enterprises in the cities. A comparison between policies of Central Authorities and Local Authorities that support small and medium-sized enterprises in Israel with those in Member states of the European Union provides further depth to the study. The study's findings can be used to establish frameworks for the promotion of policies for supporting small and medium-sized enterprise operation in the cities.

Chapter I: Literature Review

I.1 Governance Structures

Government is a term that has been used to describe the formal institutions of a state that hold the monopoly of power. Government is entrusted with the making of decisions and the enforcing of what has been decided at the level of the state. Governance has often been used as a synonym for government, yet governance more broadly focuses on the mechanisms for governing and these mechanisms do not necessarily depend on the governments' authority (Stoker, 1998). Governance according to James Rosenau encompasses "steering mechanisms through which authority is exercised in order to enable the governed to preserve their coherence and move toward desired goals" (Rosenau, 2004, p. 31). Governance evokes authority and results in the need to comply with the authority, since governance assigns the authority with the power to take decisions and these decisions are then considered legitimate. "The governance concept points to the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors" (Kooiman & Van Vliet, 1993, p. 64).

Stoker (1998) suggested five propositions for governance which provide guidance for the understanding of changes in the governance processes. The propositions work to complement each other.

I.1.1 Multi-Level Governance

The Multi-Level Governance System was created out necessity and based on the understanding that “the European Union neither resembles domestic polities nor international organizations, and as such defies explanation from approaches applied either to politics within states or politics between states” (Bache, & Flinders, 2004, p. 1). The term multi-level governance came into use towards the end of the 1980s to describe the changes in EU structural policy and in EU decision making (Marks, 1992). The integration process that was occurring during the 1980s was formalized by the collective agreement to the Single European Act (SEA) of the EU member states. The agreement was formulated around the creation of multi-level governance that connected between nested governments that functioned at different territorial tiers. Policy networks served as the framework for connecting between local, regional and national governments. Building multi-level governance stretched across both the vertical or between level and the horizontal or across level dimensions. While the term multi-level referred to the connections between levels stretching across territories, the term governance related to the relationship of interdependence that ranged across governmental and nongovernmental agents at the different territorial levels (Bache, & Flinders, 2004).

I.1.2 Decision-Making

The dynamics of authoritative decision making has transcended the limits of policy implementation and fiscal responsibilities for the jurisdiction, but rather extends to the cooperation between jurisdictions. Since the jurisdictions may be specialized or general, mutually exclusive or overlapping, the relationships between the jurisdictions can include a broad range of relationships, beginning from the hierarchical relationship, through the interdependent to the fully independent relationships (Hooghe, & Marks, 2004),

The Treaty on the functioning of the European Union (TFEU) outlines the Articles relating to the competences of the European Union. The competences can be divided into three different categories. In the first category is Article 3 of the TFEU, which is the Exclusive competence. This Article relates to the competence in which only the European Union can act. Article 4 is the Shared competence, which relates to competences that are shared between the European

Union and its Member states. In these situations, the Member states have the ability to act solely in those situations, where the European Union has clarified their intention not to act. In Article 5, the TFEU addresses the competence which provides the arrangements that determine the framework for the coordination of policy of the European Union Member States. Article 6 further expands on the competence which enables the coordination, support and supplementation of actions of the Member states. This Article addresses those situations where the European Union is unable to formulate legally binding acts which would necessitate Member states to make changes to their regulations to adapt (European Commission, 2020a).

I.1.3 The Shift to Neoliberalism

The use of the term neoliberalism first appeared in Germany following World War I. It was used by scholars at the Freiburg School to describe their plans for reviving classical liberalism. The development of neoliberalism was fueled by neoliberal ideals that envisioned “the ‘self-regulating market’ as the main engine powering the individual’s rational pursuit of wealth” (Steger, & Roy, 2010, p. 2). While neoliberalists have a common belief embedded in the principles that support the self-regulation of free markets, neoliberalism has many variations that have been adapted to the economic environment and its specific issues. Neoliberalism was used in Latin America in the 1970, for example, to create a pro-market model (Steger, & Roy, 2010).

I.1.4 Neoliberalism in the European Union

Following the Cold War, globalization of economics led to the deregulation of finance and trade. The market-based approach adopted in accordance with neoliberalism resulted in politics being overshadowed by economics. From the viewpoint of neoliberal authority, the neoliberal state bases its authority on economic constructs. The neoliberal state thus, justifies its policies and decisions on the logic of the economic markets (Sliwinski, 2018).

Neoliberalism is an ideology which upholds freedom as a social value and includes the reduction of a state’s function to the most minimal of levels. The neoliberal agenda is one of the features that stands behind the liberalization of the economy following the integration of states in Europe. The formation of the European Union and its integrative practices drove the development of a single market which leverages the movement of products, labour and services freely within the market (Sliwinski, 2018).

I.1.5 Neoliberalism in Israel

The State of Israel was established in 1948 and maintained a developmental economy. Over the course of a few decades, the economy has been transformed into a neoliberal political economy (Maron, 2019). Following the debt crises and rampant inflation in the mid-1980s, Israel's neoliberal turn directed the shift in policy from direct intervention and centralization to deregulation, liberalization and privatization. One reason provided for the transformation from a centralized economy into an economy based on neoliberal values was that was driven by the liberal ideas of economists in the state agencies in Israel who envisioned the value that lay in developing the high-tech industries and other enterprises (Krampf, 2018).

I.1.6 Governmental Control Over Economic Policymaking

Following World War II, many European countries depended on industry policy, which involved strategic interventions to support sectors of the industry that were regarded as being of importance to national employment and production. The policies in the European countries during this period supported the growth of large enterprises. Controversy developed around industry policies that were associated with intervention in specific sectors of the industry and that resulted in economic adjustments that were state led. These strategic policy interventions were considered to interfere with the normal processes of the economic markets and the policies provided little support for the establishment of newer, smaller enterprises (Parker, 1999).

I.1.7 The Role of the Local Authority

In the past few decades, social movements, technological advances and economic changes in the wake of capitalism have caused a collapse of public policies, which have become ill adapted to the changing situation, but have not yet been substituted by adaptable approaches suitable to the innovations. One approach has focused on the possibility of the local community to empower themselves and create mechanisms for dealing with their local issues. Despite the increasing globalization, the local community still connects the residents in the neighborhoods and towns, creating a local space where residents can be involved (Carrera, Brugué, Casademont, & Serra, 2019).

I.1.8 Regional and Local Authorities in Europe

Over the past few decades, the strength of the regional and local authorities has been rising. Since 1990, the Regional Authority Index has shown a 7% increase, accompanied by an

increase of 6% in the Local Authority Index (Hooghe, 2020). The Regional Authority Index (RAI) refers to the measurements of regional and intermediate subnational government between 1950 and 2010, while the Local Authority Index (LAI) relates to measured changes in local government between 1990 and 2014. The Regional Authority Index (RAI) includes the measurement of 81 countries in Europe, The Americas, Southeast Asia and the Pacific. Measurements include subnational governments where the population exceeds 150,000 inhabitants. The ten dimensions that are included in the RAI are “institutional depth, representation, law making, constitutional reform, policy scope, fiscal autonomy, borrowing autonomy, executive control, fiscal control, and borrowing control” (Hooghe, Marks, Schakel, Chapman-Osterkat, Niedzwiecki, & Shair-Rosenfield, 2016, p. 36). The Local Authority Index (LAI) refers specifically to the authority of local government in 39 of the European countries (Hooghe, Marks, & Schakel, 2020). Figure 1 shows the Regional Authority Index and Local Authority Index for each country (Hooghe, Marks, & Schakel, 2020).

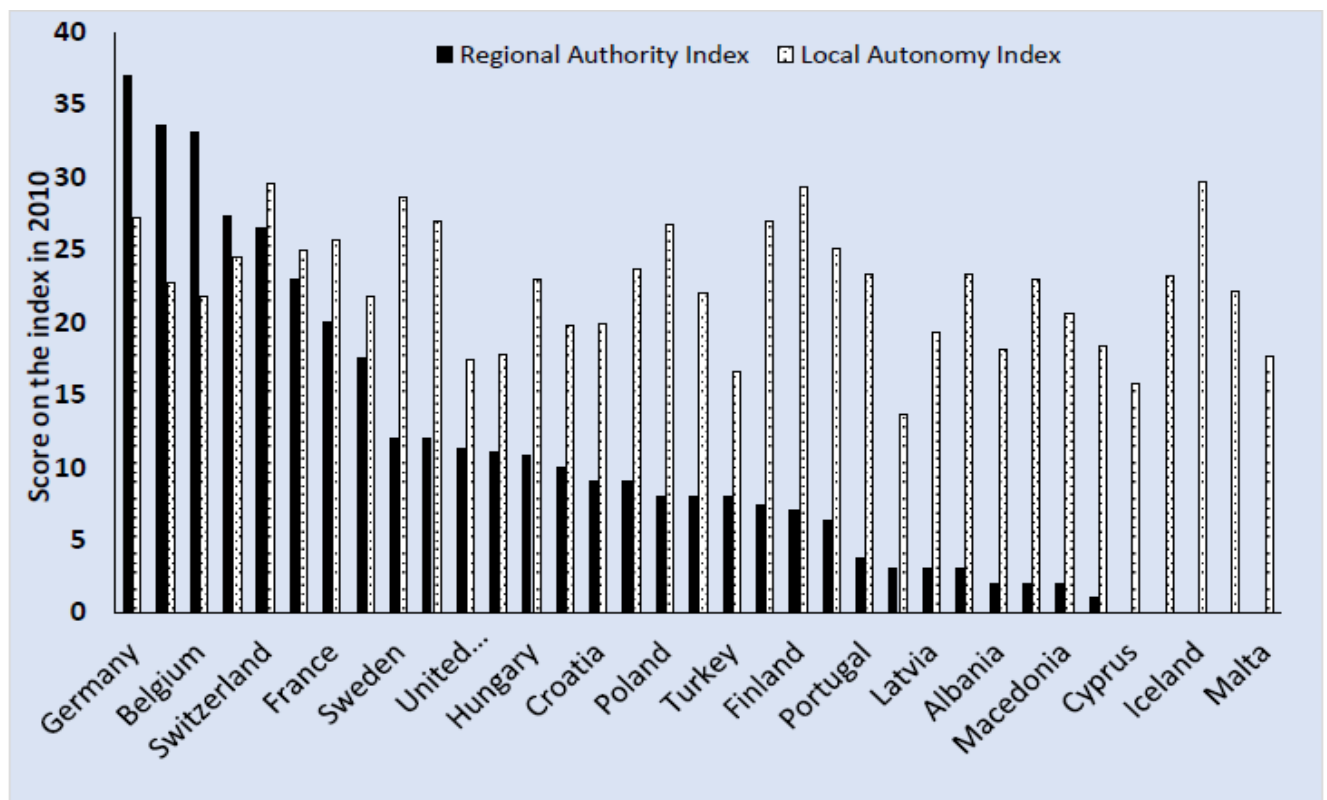


Figure 1: The Regional Authority and Local Autonomy Indexes for Some European Countries in 2010

Source: Hooghe, Marks, & Schakel, 2020

I.2 Small and Medium-Sized Enterprises

Several reports and publications have focused on the entities that engage in economic activities, known as small and medium-sized enterprises (SME). This section of the literature review will focus on SMEs, their role in economic development in the EU and the state of SMEs in Israel. SMEs definition categorizes SMEs in Israel as enterprises employing less than 250 employees and as determined by the Committee of the Regions, in Art. 2.1 of the Annex to the Commission Recommendation of 6 May 2003 have “an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million” (CoR, 2003; in De Man, Munters, & Marx, A., 2016).

I.2.1 The Role of SMEs in Economic Development in the EU

SMEs have long been considered the backbone of European economy and SMEs significantly contribute to the economy and employment in the European Union. Until 2019, the European Union consisted of 28 member states (EU-28). In early 2020, Britain exited the European Union, leaving the European Union with its current membership of 27 member states. The European Commission plays a large part in the development of SME-friendly policies by encouraging cooperation with the Member states in the EU. The European Commission strives to support the implementation of policies by the SMEs and shares best practices amongst the Member states. Since 2008, the European Commission has published an annual report on the European SMEs, which provides an indication of the contribution of SMEs to the European economy (European Commission, 2019).

I.2.2 The Economic and Political State of SMEs in Israel

Only 0.5% of the businesses in Israel were large businesses, with each employing over 100 employees (Small and Medium Business Agency, 2018). In the business sector, the large businesses are employing about 29% of the employees in this sector. The turnover generated by the large businesses was approximately NIS 206.3 billion, comprising 25% of the total turnover that is recorded in the commercial sector. The turnover generated contributed 48% out of the total GDP (Ministry of Economy and Industry, 2015).

I.3 Cooperation Between Authorities in the Governance of SMEs

This section will deal with one of the aspects that is considered essential for efficient governance processes, which is the cooperation between authorities and between authorities

and stakeholders. Targeted strategies need to be formulated to create a common vision amongst stakeholders and governance should reflect on the economic needs (CoR, 2017). Cooperation between authorities in the governance of SMEs is expected to differ in Israel to that in place in the EU, partly due to differences in size and governance structure. Yet, with SMEs contribution to the region's economic stability and to the creation of jobs, the importance of expanding entrepreneurship and strengthening the SMEs is common to both Israel and the EU, since SMEs contribute to the economic stability of a region and to the creation of jobs.

I.3.1 Inter-Municipal Cooperation in Europe

Since the thirteenth century, local government has been an integral part of European administration (Bennett, 1993; in Hulst, & Van Montfort, (eds), 2007). It was during the nineteenth century that many of the local authorities in Western European countries received constitutional recognition. However, in countries like Spain, Germany, Italy, and Portugal constitutional recognition was attained following periods of dictatorship and disturbances caused by war (Norton 1994; in Hulst, & Van Montfort, (eds), 2007). Local communities in Western Europe are self-governed and take responsibility for providing public services. However, several differences between the local governments have been apparent. Firstly, the local communities differ in scale and the level of local government expenditure. Secondly, the local authorities occupy different levels in the state's administration system. Furthermore, each local authority may have a different degree of autonomy in carrying out its functions (Hulst, & Van Montfort, (eds), 2007).

I.3.2 Policies for Enterprises in the European Union

At the Feira European Council, in June 2000, the leaders of the European Union approved The European Charter for Small Enterprises. The Charter marked a steppingstone in joint SME EU policy. The Charter outlined ten pathways to support the operation of SMEs on which governments could focus (Interreg Europe, 2016). In the European Union, the environment within which SMEs operate is widely diverse and thus policy initiatives, have needed to take into consideration this diversity. By 2008, the EU had developed a more comprehensive SME policy and implemented The Small Business Act (SBA). This act outlined a framework for EU policy on SMEs. The Small Business Act sets out to simplify regulations for SMEs and prevent barriers for SMEs. The Act also works to increase awareness about SMEs in administration and European politics (Interreg Europe, 2016).

I.3.3 Policies Supporting Self-Employment in EU

Data was collected in the 28 member states previously belonging to the EU during the compilation of the annual SME Performance Review which examined the implementation of policies and programmes in support of self-employment in each of the member states. Data collected specifically related to the self-employed. The policies and programmes examined included policies and programmes that have been developed for the new and well established self-employed, as well as individuals who are weighing in on the possibility of becoming self-employed. There were eight measures included in the study which were used to assess the support of self-employment. These included in addition to the specific support measures to encourage self-employment, adaptations of tax procedures and grants targeted to the self-employed. Other measures examined related to the self-employed, included the issuing of regulatory exemptions, assistance programs and public support programs appropriate for the self-employed. Measures focused on social benefits for the self-employed and the availability of free legal advice were also examined.

I.3.4 Governmental and Municipal Policies Affecting SMEs in EU

In the study conducted by Rotar, Pamić, & Bojnec (2019), a positive association was found between employment in SME service sectors and total EU employment. The authors suggested that national level and EU policy should be structured to make the macroeconomic environment more encouraging for SME development, with a focus on SME service sector development. SME development could be encouraged through simplifying the policy framework. The importance of SMEs lies in their capacity for increasing national growth and development through an expansion in the employment rate and the creation of added value.

I.3.5 Regional and Local Governance of SME in EU

Factors affecting SME governance and policies can be categorized into the tangible factors that become apparent in formal arrangements of cooperation, like contractual agreements and on the other hand, the informal factors. Informal factors are those factors that may include open communication channels, objectives agreed upon to attain a common vision, constructive dialogue and other such factors (Cor, 2014).

I.3.6 Governmental and Municipal Economic Policies Affecting SMEs in Israel

The Organization for Economic Co-operation and Development for leveraging economic progress globally was established in 1961. The OECD report, *SME and Entrepreneurship Policy in Israel 2016*, sheds light on Israel's accomplishments in encouraging the development

of entrepreneurship and the establishment of SMEs in Israel (OECDa, 2016). The report's findings highlighted the differences in growth between the technology-based SMEs and the traditional SMEs in Israel. While the traditional SMEs were struggling with low rates of productivity and growth, policies and programmes that had been implemented had targeted the technology-based SMEs, by encouraging R&D, the generation of high-level skills and the provision of venture capital. While these measures had driven success for entrepreneurship and the technology-based SMEs, the success was not shared across all SMEs. The report provides suggestions for actions that may be required to support the whole range of SMEs, like entrepreneurship education, workforce skills development, access to credit and other similar actions. In addition to taking action, the report suggested formulating a national SME and entrepreneurship policy strategy for stimulating entrepreneurship. Actions and strategies would need to be backed up by inter-ministerial co-ordination (OECDa, 2016). Figure 2 presents the conceptual framework that underpinned this study.



Figure 2 Conceptual Framework Underpinning the Study

Chapter II: Methodology

II.1 Research Paradigm: Mixed-Methods Research

Social science research has been conducted using a variety of research approaches. Qualitative research is an approach used to collect non-numerical qualitative data, while quantitative research focuses on collecting data in the form of numbers. Despite seemingly incorporating opposing interests, both approaches have been used in social science research since they incorporate research's basic principles, the systematic gathering of data and the utilization of critical thinking to understand the world better (Aspers, & Corte, 2019). Furthermore, a variety of research techniques, like the interview, survey etc. may be used to conduct both types of research. The mixed-method research approach is an additional approach that has been introduced more recently and enables the use of qualitative and quantitative research in complementary ways (Neuman, 2000). Additional aspects about each type of research are outlined in the following sections.

II.1.2 Research Hypotheses

There are five hypotheses posited for this research.

H1: Local Authorities' community activities will be found to positively impact SMEs

H2: The role of Central Authority's business activities will be found to positively impact SMEs

H3: Cooperation between Local and Central Authorities will be found to strengthen the support for SMEs

H4: The SMEs will be found to positively contribute to employment and the economic situation of the cities

H5: The SMEs' effect on the local community will be found to contribute socially to the cities

II.1.3 Research Variables

The independent variable used in the quantitative analysis for the small and medium-sized enterprises in the study was the business annual revenue of the small and medium-sized enterprises. The small and medium-sized enterprises were grouped into three categories, low annual revenue of up to 200,000 New Israeli Shekel (NIS); moderate annual revenue from 200,00 to 400,000 NIS; and high annual revenue of 400,000 NIS and above.

Several dependent variables were used for analysis in the study.

To assess the situation of the SMEs according to Research Question #2 *What is the economic, social, and political situation of small and medium-sized enterprises in Israel?* two variables were examined - the effect of central policies on SMEs and the SMEs effect on the local community.

To examine Research Question #3 *To what extent does cooperation exist between local and central authority policy towards the promotion of small and medium-sized enterprises in Israel?* and research question 4 *What is the connection between local authority policies toward small and medium-sized enterprises and urban attractiveness?* three outcome variables were used. The outcome variables indicated the SMEs contribution to the community (economic, social, and political contribution); the role of the central authority for SMEs; and the effect of the SME on local employment and its involvement in local politics.

Table 1: Research Design

Research Type	Aim	Research Tool	Research Population	Data Analysis Method
Stage 1				
Qualitative research	To compare the role of the Central Authority and Local Authorities in the development of policies to strengthen SMEs in Israel and in the European Union	Document Analysis of OECD Scoreboard for SMEs in Israel and European Commission's Industrial Strategy		Content analysis
Stage 2				
Qualitative research	To understand the views and attitudes of functionaries	9 semi-structured	9 functionaries	Content analysis

	associated with SMEs about the extent to which cooperation exists between Local and Central Authority policies for the promotion of SMEs in Israel	interviews conducted	serving in different positions in the Central and Local Authorities in Israel	
Stage 3				
Quantitative research	To investigate the connection between Local Authority policy toward SMEs in Israel, the SMEs influence on local community and urban attractiveness To investigate the situation of SMEs in Israel from an economic, social, and political standpoint	Closed-ended questionnaire	87 owners of small and medium-sized enterprises in Israel	Statistical analysis

Chapter III: Results

III.1 Findings emerging from research question 1: Role of the Central Authority and Local Authorities in Support of SMEs

Table 2: A Comparison Between Parameters Relating to SMEs in Israel, Poland, and Romania

Country / Parameters	Israel	Poland	Romania
Regional reform	N/A	Redesigned existing regional tier (Hooghe,	Created a new regional tier

		Marks, & Schakel, 2020)	(Hooghe, Marks, & Schakel, 2020)
Total entrepreneurial activity (TEA) – percentage of adult population establishing a business or owning/managing a new business	8.50% in 2020 (OECDiLibrary, 2020)	3.10% in 2020 (OECDiLibrary, 2020)	10.80% in 2015 (Global Entrepreneurship Monitor, 2015)
Percentage of enterprise employees employed in SMEs	60.8% (OECDiLibrary, 2020)	67.20% (Domanska, & Zajkowski, 2018)	67.80% (Domanska, & Zajkowski, 2018)
Added value generated by SMEs	62.3% (OECDiLibrary, 2020)	50.50% (Domanska, & Zajkowski, 2018)	49.60% (Domanska, & Zajkowski, 2018).
Access to funding	Bank credit provides over 80% of funding for SMEs. Suppliers, institutes, private credit companies, angel investors, etc., provide the remaining 20% of funding (OECDiLibrary, 2020).	No major obstacles to the access to financing for SMEs (Domanska, & Zajkowski, 2018)	No major obstacles to the access to financing for SMEs (Domanska, & Zajkowski, 2018)

III.2 Findings emerging from research question 2: The Economic, Social, and Political Situation of SMEs in Israel

To illustrate the expected impact of the central and local authorities on the policies established to support small and medium-sized enterprises and to understand the factors that influence the

performance and growth of small and medium-sized enterprises, a conceptual model of the study was developed and proposed for the study. Figure 3 describes the conceptual model.

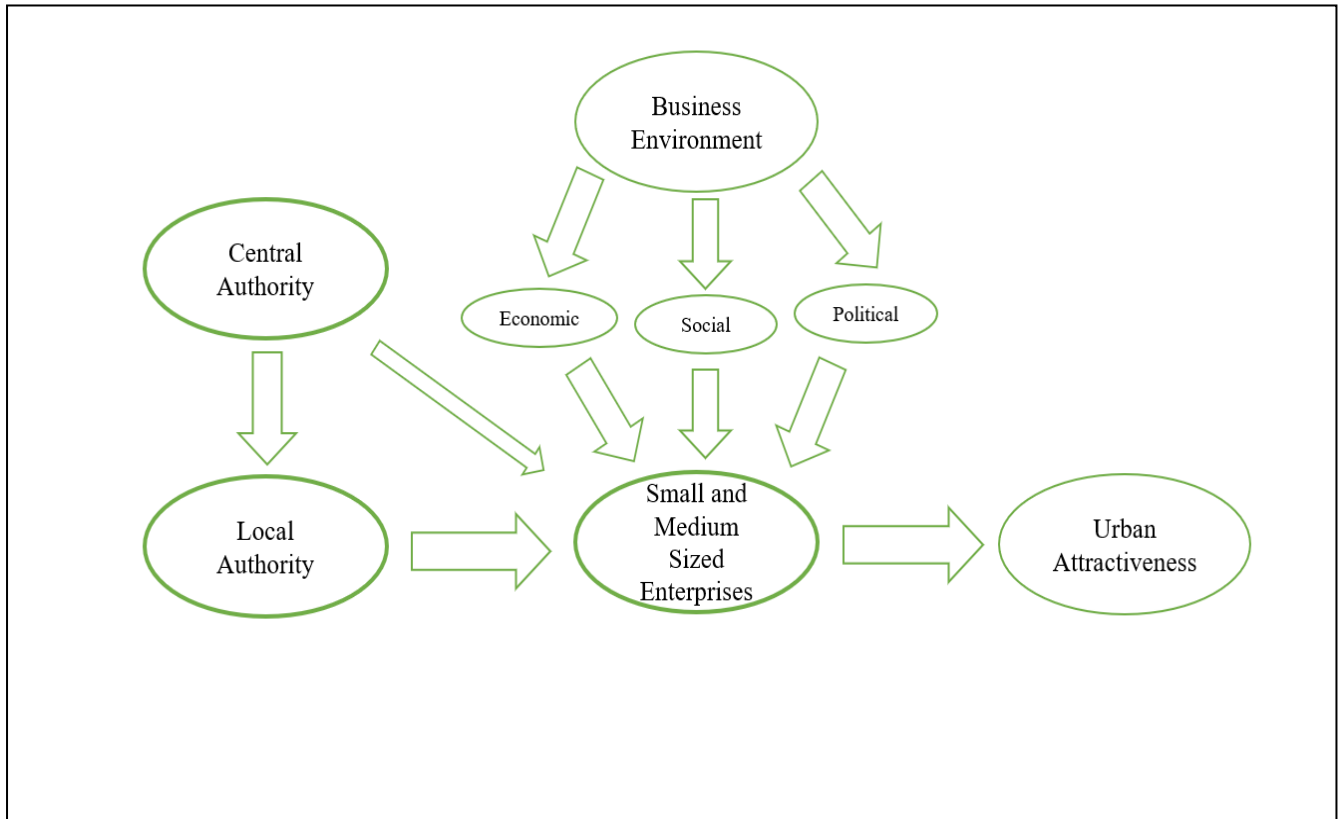


Figure 3: Conceptual Model of the Study

Using the responses collected from the functionaries during their interviews, qualitative analysis was conducted that included content analysis. To perform the content analysis, the interview participants’ responses were mapped. Table 3 displays the categories that emerged from the mapping that relate to Research Question #2.

Table 3: Categories that Emerged from Content Analysis Relating to the Economic, Social and Political Situation of SMEs

Category Number	Category Description	Participants’ Responses

1	Perceptions about SMEs	Participant #8: “Of great importance in every city, the beating heart of the country's economy”
2	Situation of SMEs	Participant #3: “Very bleak situation”
5	Difficulties faced	Participant #6: “A lot of businesses, very hard to succeed”
6	Economic influence	Participant #1: “Local money, stays inside the city”
7	Social influence	Participant #6: "Keeping the young people in the city and bringing new populations to the city"
8	Emotional influence– connection to the place	Participant #10: “Smaller businesses connect with the residents of the area (neighborhood) and they become part of the environment”

III.3 Findings emerging from research question 3: Cooperation Between Central and Local Authorities in Support of SMEs

Responses were collected from the functionaries during the interviews. Qualitative analysis was conducted using content analysis, to facilitate the mapping of the participants’ responses to the interviews. Table 4 displays the categories that emerged from the mapping that relate to Research Question #3, the cooperation between local and central authority policies towards the promotion of SMEs in Israel.

Table 4 Categories that Emerged from Content Analysis Relating to the Cooperation Between Local and Central Authority Policies Towards the Promotion of SMEs

Category Number	Category Description	Participants’ Responses
3	Assistance from the local authorities	Participant #2: “Create partnerships rather than a list of requirements.

		Provide encouragement and promote growth rather than regulations and enforcement”
4	Assistance from the central authority	Participant #8 “Establishing Business Administration Authorities in each city”
12	Expectations from central authority regarding economic aspects	Participant #2: “Lowering imports, lowering taxation”
13	Expectations from central authority regarding social aspects	Participant #9: “Renovation of old neighborhoods near local centers”
14	Expectations from central authority regarding political aspects	Participant #10: “Close cooperation with the local authorities”

III.4 Findings emerging from research question 4: Local Authority Policy and Urban Attractiveness

Table 5 Comparison of Businesses and Residents in Tel Aviv and Other Israeli Cities

Comparison of businesses and residents in Tel Aviv with other cities in Israel				
City	Quantity of businesses	PERCENTAGE OF TOTAL BUSINESS	Number of residents	Number of residents per business
Tel Aviv	61,109.00	13.59%	404,400.00	6.6
Jerusalem	33,451.00	7.44%	780,200.00	23.3
Haifa	19,542.00	4.35%	266,500.00	13.6
Rishon Lezion	14,880.00	3.31%	228,900.00	15.4

Petah Tikva	13,099.00	2.91%	211,800.00	16.2
Holon	10,978.00	2.44%	185,700.00	16.9
Ashdod	8,181.00	1.82%	207,800.00	25.4
Tiberius	2,307.00	0.51%	41,300.00	17.9
Others	285,957.00	63.63%		
Total Businesses in Israel	449,504.00	100%		

Table 5 Categories that Emerged from Content Analysis Relating to the Connection Between the Policies of Local Authorities Towards SMEs and Urban Attractiveness

Category Number	Category Description	Participants' Responses
9	Expectations from local authorities regarding economic aspects	Participant #9: "Prioritizing small businesses over industry, establishing a business administration and providing the budget"
10	Expectations from local authorities regarding social aspects	Participant #6: "More street events in business areas"
11	Expectations from local authorities regarding political aspects	Participant #6: "Local buying, encouraging business, promoting business areas"

Chapter V is the final chapter. The chapter describes the research's conclusions.

Chapter V: Conclusions and Recommendations

In Chapter V, the conclusions of this study are outlined and the influence of the Local Authorities and Central Authority on small and medium-sized enterprises in Israel and the European Union are reported. The interviews that were conducted with functionaries involved with small and medium-sized enterprises in Israel underwent analysis and together with the questionnaires distributed amongst a sample population of owners of small and medium-sized enterprises located in different areas of Israel provide an in-depth view of the impact that Local Authorities and Central Authority have on small and medium-sized enterprises and the influence that small and medium-sized enterprises have in their communities.

Following an intensive review of reports from the European Union and Israel, a comparison was made between Israel and the European Union in all that relates to the Central Authority and Local Authorities to provide an added perspective about the different actions that have been taken to support small and medium-sized enterprises in these countries.

Both the members of the European Union and Israel have realized the importance in supporting the activities of the small and medium-sized enterprises to advance their economic development. In addition, the creation of employment opportunities by the small and medium-sized enterprises is an important opportunity that cannot be ignored, and the impact on employment opportunities in both Israel and the European Union is vital to support a growing economy. Yet, the regulatory environment in Israel displays its own uniqueness and differences have been noted between the regulatory environment in Israel and in the Member countries in the European Union.

While the importance of creating a regulatory environment that is more conducive to the enterprises is a common objective of both Israel and the European Union, according to reports from the OECD, Israel seems to have lagged in adopting improvements to the regulation processes. The European Union has driven changes to the regulatory environment in the member countries over the years to increase the support for small and medium-sized enterprises and facilitate their growth. The changes to the regulatory environment in Israel have not always facilitated growth for the small and medium sized enterprises. In this study, some of the frustrations of the functionaries and owners of small and medium-sized enterprises in Israel regarding difficulties encountered with regulations were emphasized in their responses to

interview questions and the questionnaires. Since the OECD has also reported that the regulatory environment was found to be a weak point within the framework of Israeli policy, future efforts could be focused on activities that are perceived as improving the business environments for small and medium-sized enterprises in Israel through effective regulation. The examination of the similarities found between policies in the European Union established to improve cooperation between all levels of authorities and the differences in the policies that have been formulated in the European Union could provide a basis for the integration of policies and strategies used in the European Union with those in Israel and designed to benefit the functioning of small and medium-sized enterprises.

The factual conclusions and conceptual conclusions of the study are outlined in the conclusions chapter. In addition, practical implications and recommendations are provided, as well as the contribution of the research and the research limitations. To conclude the chapter, the universal significance of the research is presented.

V.1 Factual Conclusions

Factual Conclusions in Response to Research Question #1: What differences and similarities exist between the State of Israel and the European Union regarding the role of the central authority and local authorities in the development of policies to strengthen small and medium-sized enterprises?

The comparison between Israel and the European Union relating to the Central Authority and Local Authorities provided an added perspective about the steps that have been taken in support of the small and medium-sized enterprises in each of these countries.

The small and medium-sized enterprises influence the economies of the countries in which they operate driving the need for developing policies to strengthen the small and medium-sized enterprises within the region. The European Union was created and currently includes 27 Member countries in Europe which work together to promote their business interests. In comparison, the State of Israel is not included amongst the Member states that make up the European Union. Furthermore, Israel is physically isolated from Europe. Despite these differences, both the members of the European Union and Israel realize the importance in

supporting the activities of the small and medium-sized enterprises to facilitate economic growth.

Creating additional possibilities for employment by the small and medium-sized enterprises is an important opportunity for every economic environment, both in Israel and the European Union. Thus, the changing functions of the central and local authorities in the development of policies to strengthen the small and medium-sized enterprises have led to differences noted in the regulatory environment in Israel and in the Member countries in the European Union. These differences are found despite acknowledgement of the importance of creating a regulatory environment that is more conducive to the enterprises as a common objective of both Israel and the European Union. In reports from the OECD, Israel seems to have lagged in adopting improvements to the regulation processes.

Factual Conclusions in Response to Research Question #2: What is the economic, social, and political situation of SMEs in Israel?

The major role that small and medium-sized enterprises have in the impact on the economic situation in cities was emphasized, which results in the small and medium-sized enterprises having a significant influence on the economic development of countries. The small and medium-sized enterprises bring people into city centers, creating opportunities for employment for the local population and providing for the residents' needs and those of the visitors to the city. Attention was also focused on the threat to the livelihood of the enterprises and difficulties in achieving economic success.

Also of economic importance was the source of funding for the establishment of the small and medium-sized enterprise. All small and medium-sized enterprise owners participating in the study had used savings to establish their business. Socially, the connection which small and medium-sized enterprises have with their neighborhoods and with its residents, creates a conducive environment and social events in the vicinity of the small and medium-sized enterprises add to attractions in the vicinity of local enterprises. Politically, the Local Authorities have the potential for providing support for the small and medium-sized enterprises. Cooperation between Local Authorities and the Central Authority in Israel is of the utmost importance when enacting policies that impact the small and medium-sized businesses.

Factual Conclusions in Response to Research Question #3: To what extent does cooperation exist between local and central authorities' policy towards the promotion of small and medium-sized enterprises in Israel?

Reports published by the OECD, show that small and medium-sized enterprises face challenges involving the business environment, ranging from difficulties with the licensing of the small and medium-sized enterprises in Israel to the overall regulatory environment. Despite activities conducted by SMBA through their MAOF centers, it would seem that the efforts directed towards the small and medium-sized enterprises were not reaching the intended target, with the small and medium-sized enterprise owners left to manage on their own. Awareness was limited amongst the small and medium-sized enterprise owners about any cooperation between local and central authorities intended to promote small and medium-sized enterprises.

A thorough SME strategy in Israel does not exist. While certain strategic objectives have been defined for small and medium-sized enterprises, these objectives haven't been combined into a SME strategy. In the European Union, the "SME test" has been implemented to track small and medium-sized enterprises across the European Union and enables effective tracking of policies and the results of their implementation.

Factual Conclusions in Response to Research Question #4: What is the connection between local authority policy toward small and medium-sized enterprises and urban attractiveness?

Urban attractiveness is largely influenced by community participation in the urban environment and is determined by the views of the local entrepreneurs who have established their enterprises in the area and by the opinions of the residents in the urban area and the visitors who frequent the area. Regarding social factors involved in urban attractiveness, the local authorities could be more proactive in improving urban attractiveness, through their role in organizing public events in the city centers and commercial centers to attract people to the area. Policies enacted by the local authorities could support small and medium-sized enterprises and ease regulations and bureaucracy involved in operating their enterprises. While the regulations relating to the

licensing of small and medium-sized enterprises, was problematic for the owners of the small and medium-sized enterprises in Israel, in the member states of the European Union, like Poland, for example, the reform of 2018 was expected to ease several of the difficulties experienced by small and medium-sized enterprises, especially costs for licensing enterprises. Changes to Poland's Business Constitution also addressed improved conditions for business operations and the shortening of legal proceedings.

V.2 Conceptual Conclusions

Developing a policy model of cooperation between local authorities and the central authority to promote small and medium-sized businesses.

A policy model for cooperation between local authorities and the central authority to promote small and medium-sized businesses is shown in Figure 4.

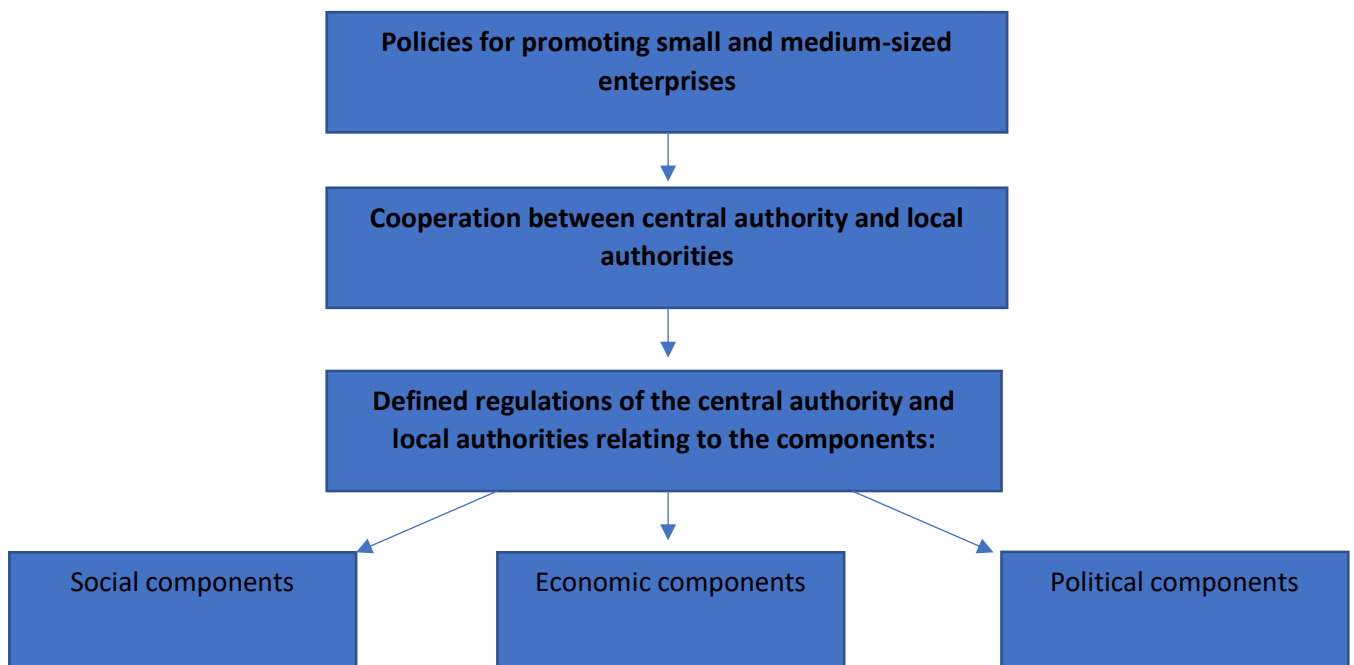


Figure 4: A Policy Model for Cooperation

The formulation of policies in alignment with the needs of the small and medium-sized enterprises has been shown to be an influential factor for facilitating the promotion of small and medium-sized enterprises. Regulations defined through cooperation between the central authority and local authorities, that fulfill requirements of the small and medium-sized enterprises, can be enforced at all levels of authority. The regulations address the three main components that impact the small and medium-sized enterprises, with these components being the political components, the economic components, and the social components. Each of these three components strongly influence the operation of the small and medium-sized enterprises.

V.3 Practical implications and recommendations

Practical implications of Research Question #1: What differences and similarities exist between the State of Israel and the European Union regarding the role of the central authority and local authorities in the development of policies to strengthen small and medium-sized enterprises?

In the OECD reports, the regulatory environment was found to be a weak point within the framework of Israeli policy, and thus, future efforts could be focused on activities that are perceived as improving the business settings for small and medium-sized enterprises in Israel through effective regulation. Regulations in use in the European Union that have shown to be effective in the member states can serve as a reference for enacting similar policies adapted to the Israeli business environment. The European Union has devised small and medium-sized enterprise strategies aligned to the needs of the member states in Europe. The OECD recommendations for Israel include a suggestion for creating a single strategic policy document as a goal in assisting small and medium-sized enterprises in Israel.

Practical implications of Research Question #2: What is the economic, social, and political situation of SMEs in Israel?

To address the challenging economic and political situation of the small and medium-sized enterprises in Israel, several bureaucratic obstacles restricting the functioning of the small and medium-sized enterprises should be eased. Furthermore, awareness of help available for small

and medium-sized enterprises amongst the small and medium-sized enterprises should be increased.

Practical Consequences of Research Question #3: To what extent does cooperation exist between local and central authorities' policy towards the promotion of small and medium-sized enterprises in Israel?

Full cooperation between the central authority and the local authorities could lead to changes in bureaucracy involving the small and medium-sized enterprises, limitations on importation affecting small and medium-sized enterprises and reductions in taxation. Help and assistance that may promote the small and medium-sized enterprises may be given as counseling and guidance.

Practical implications of Research Question #4: What is the connection between local authority policy toward small and medium-sized enterprises and urban attractiveness?

Policies enacted by local authorities could provide economic support that would help the small and medium-sized enterprises develop, for example, the formation of a business administration serving small and medium-sized enterprises in the city, that is funded by the authorities.

V.4 Contribution of the Research to Theoretical Knowledge

The contribution to theoretical knowledge is the indication of factors that influence the development of policies to strengthen small and medium-sized enterprises in Israel and the European Union. A model of policies relating to cooperation between local authorities and the central government to promote small and medium-sized enterprises was developed. Deeper insight into the influence of policies developed by Local Authorities and Central Authority in the support of small and medium-sized enterprises on the functionaries and owners of small and medium-sized enterprises was gained.

The extensive information collected from interviews and questionnaires distributed among functionaries and owners of SMEs in Israel provided added insight into the current knowledge about factors influencing small and medium-sized enterprises. Limited data has previously been collected from a similar population.

V.5 Contribution of the Research to Practical Knowledge

Research that focuses on the policies influencing small and medium enterprises has been limited. The overall perception was that SMEs in Israel face difficulties that influence the operation of the small and medium-sized enterprises. Difficulties are associated with the urban development and construction of shopping malls and power centers, as well as too many businesses in the city creating strong competition. Challenges remain to be addressed which include dealing with bureaucratic obstacles and regulatory hurdles.

Expectations were for cooperation between Central Authority and Local Authorities to benefit SMEs. In the European Union, in some of the member states, the cooperation between authorities has been strengthened by policies and programs. Yet, in Israel, some functionaries and owners of the small and medium-sized enterprises had not seen any direct influence of the cooperation between Central Authority and Local Authorities on SMEs. The insight gained from the research has a global impact and future policies and programs across the globe relating to small and medium-sized enterprises may be developed using the information gained from the research about the factors that have affected the small and medium-sized enterprises in Israel.

V.6 Limitations of the Research

Interviews were conducted with twenty-nine functionaries and owners of small and medium-sized enterprises which may not align with a full representation of the population diversity associated with SMEs in Israel. In gathering quantitative data, owners of SMEs in Israel received questionnaires. The 250 owners of SMEs in Israel that responded to the questionnaire were expected to represent a sample population. However, a larger sample size for quantitative analysis is likely to generate more accurate results.

V.7 Recommendations for Future Research

In future studies, the questionnaire could be distributed to a wider range of SME owners in Israel to further validate the results attained in the research. Since this study was conducted in Israel, it might be recommended that further similar studies be conducted in other countries in the European Union. Additional research could enable a focus on more detailed comparisons

between small and medium-sized enterprises in different countries in the European Union and in Israel.

V.8 Universal Significance of the Research

With an increase in decentralization of governance in countries across the globe, the findings in this study relating to Israel and the European Union are likely to be equally relevant in other countries. Despite the importance of small and medium-sized enterprises to the economies in most countries, authorities have been slow in adopting policies aligned to the needs and requirements of the small and medium-sized enterprises. Guidance is limited in addressing the issues encountered when establishing and operating small and medium-sized enterprises. The model developed has universal significance to policies for ensuring cooperation between the central authority and local authorities and to facilitate cooperation in all that relates to political, economic, and social components.

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