

Workshop - New Sources of Jobs
Enterprise creation and growing talent in SMEs
7th Annual Meeting of the OECD LEED Forum on Partnerships and Local Governance
“Doing more with less: local partnerships’ role in the recovery”
10-11 March 2011, Vienna, Austria

Summary note

ACKNOWLEDGEMENTS

This note has been prepared by Andrea-Rosalinde Hofer (OECD LEED Programme) and with contributions from Dr. Cristina Martinez (OECD LEED Programme) and the discussants and experts participating in the OECD LEED workshop held as part of the 7th Annual Meeting of the OECD LEED Forum on Partnerships and Local Governance in Vienna on 10-11 March 2011: Kim Bek (Copenhagen Capacity, Denmark), Lutz Franzke (Regional Growth Core “Schönefeld Cross”, Germany), Graham Larcombe (Strategic Economics, Australia), and Marcello Schermer (JADE, Belgium).

Contact: Andrea-Rosalinde.Hofer@oecd.org and Cristina.MARTINEZ@oecd.org

Introduction

In today’s economic dynamics, business development and job creation are two challenging, and often interlinked processes. It seems that new and small businesses have been most successful in stabilising jobs during the crisis and in tapping into the opportunities of new areas of growth such as the ‘green’ and ‘silver’ economy. Besides new business models, openness to knowledge, and global connections – typical ingredients for innovation activity – it is the “right set of skills”, at both management and worker levels, that counts most. There is a clear role for public policy in promoting skills development amongst those who start-up a firm, those who manage it, and those who work for it. A well functioning skills and training ecosystem to sustain firms and workers is very often the result of united efforts by the firms themselves, local authorities, education and training providers, business support organisations, and the wider community.

The workshop focused on local strategies and initiatives to enhance entrepreneurship and foster the survival and growth of new firms. The debate dwelled that dwelled on two issues: enterprise creation and training and knowledge absorption in SMEs contributed to advance the work of OECD LEED on “Skills and Competences for Entrepreneurship” and “Leveraging Skills and Training for SMEs”; both projects have provided the framework and analytical inputs for this workshop.

Enterprise creation

Why focusing on new firms? New firms are major job creators (evidence does not support the thesis that SMEs are main job creators), and they seem to be capable of making the best out of an economic recession, as start-up costs are lower than in non-recession times, the pool of diversely skilled workers is richer, people with experience loose steady jobs, and saturated markets open up as clients and customers search for alternatives.

Entrepreneurial ecosystems, that promote both firm birth and growth are more industry based than defined by geographical location. It is very much about opportunity promotion – including

promoting the 'right' set of skills and competences to successfully start and grow a firm. It is about building entrepreneurial environments, not just niches, that include a constant removal of barriers to start-up and make business, a wide appreciation of entrepreneurship that includes all groups of societies and not just the elites and the 'born entrepreneurs' and celebration of success which are both connected to the promotion of role models, particularly in education, but also in the wider public.

Main sources of new, innovative enterprises are in fact not professors or researchers, but students and graduates – taking into account that starting-up a firm may not happen directly after graduation but with a time lag which is filled up with gaining experience working for another firm.

Today's entrepreneurs are no longer „one-man shows“, but more and more team efforts where people share skills and competences and does make more with less individually stored knowledge.

Universities are perfect environments to foster and nurture team start-ups, if entrepreneurship education is interdisciplinary and if entrepreneurship support, which constitutes a large share of a university's third mission is well integrated with teaching and research.

Support infrastructure for innovative new and existing (old) firms is important, but there is the risk that it remains a real-estate effort only. Clear linkages with universities and research organisations in general, business support organisations and firm networks is needed to make technology transfer work. Such infrastructure needs qualified and entrepreneurial management. To increase the effectiveness of technology transfer and to overcome the university-industry barriers, also universities and research organisations can be more pro-active in their technology transfer efforts and approach firms first, in this way understanding current demand and needs. Student internships can provide universities with invaluable information what research can be commercialised and how.

Universities and research organisations as well as 'magnet infrastructure', such as technology incubation, science parks, etc., can help local economies to overcome spatial barriers. Especially universities and research organisations can attract venture capital, which once the news about successful deals spreads, is likely to cause positive chain effects. The same goes for talents and the high-skilled.

Hence, more than about financing approaches the issues is changing the methods (and the targets) in promoting the birth, survival and growth of innovative firms. Local support networks can do this job. One-stop shops are key instruments, but it is important that there is a well functioning referral and it is not just up to the entrepreneur to find the entrance, but up to all relevant actors properly refer.

Modernisation of existing firms: Training and knowledge absorption in SMEs

New forms and means of training are emerging along with new technologies that need special training methods. The use of online training and distance learning in general should be more promoted. The teaching capability of trainers in SME training may not be sufficient for this and public policy should address this.

Are there too many artificial training and support models that fail to raise interest and increasing take-up rates because of public policy being too distant to the real needs of SMEs? Using inter-firm collaboration, especially in the form of non-publicly installed or supported clusters, for the promotion of training seem to work for increasing the interest and take-up rates of training.

An interesting point in the debate was the understanding that convincing the manager of the usefulness of training the staff has a positive impact on the training offer in the firm. Furthermore, there is growing evidence that managers/owners, who were exposed to entrepreneurship education during formal education are more open to training of staff initiatives. Hence, local universities should be encouraged to run programmes that are open for SME managers, staff and people with work experience, who want to become entrepreneurs.

Training may also imply organisational changes for which firms need to be prepared. There are wider issues that are related to resistance to change and management of the ageing workforce that should be part of training strategies.

Finally it was noted that there intelligent taxation approaches are piloted in some countries to support innovative firms. This requires indicators to measure innovation activity also at the level of knowledge absorption, which also includes knowledge circulation in firms, that is utilisation and nurturing of talents and skilling staff.