



SMEs, Entrepreneurship and Innovation

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A new environment

Importance of new and small firms to innovation has increased (and policy challenges shifted)

- Reduced economies of scale, knowledge economy, globalisation, non-technological innovation, open innovation, social entrepreneurship

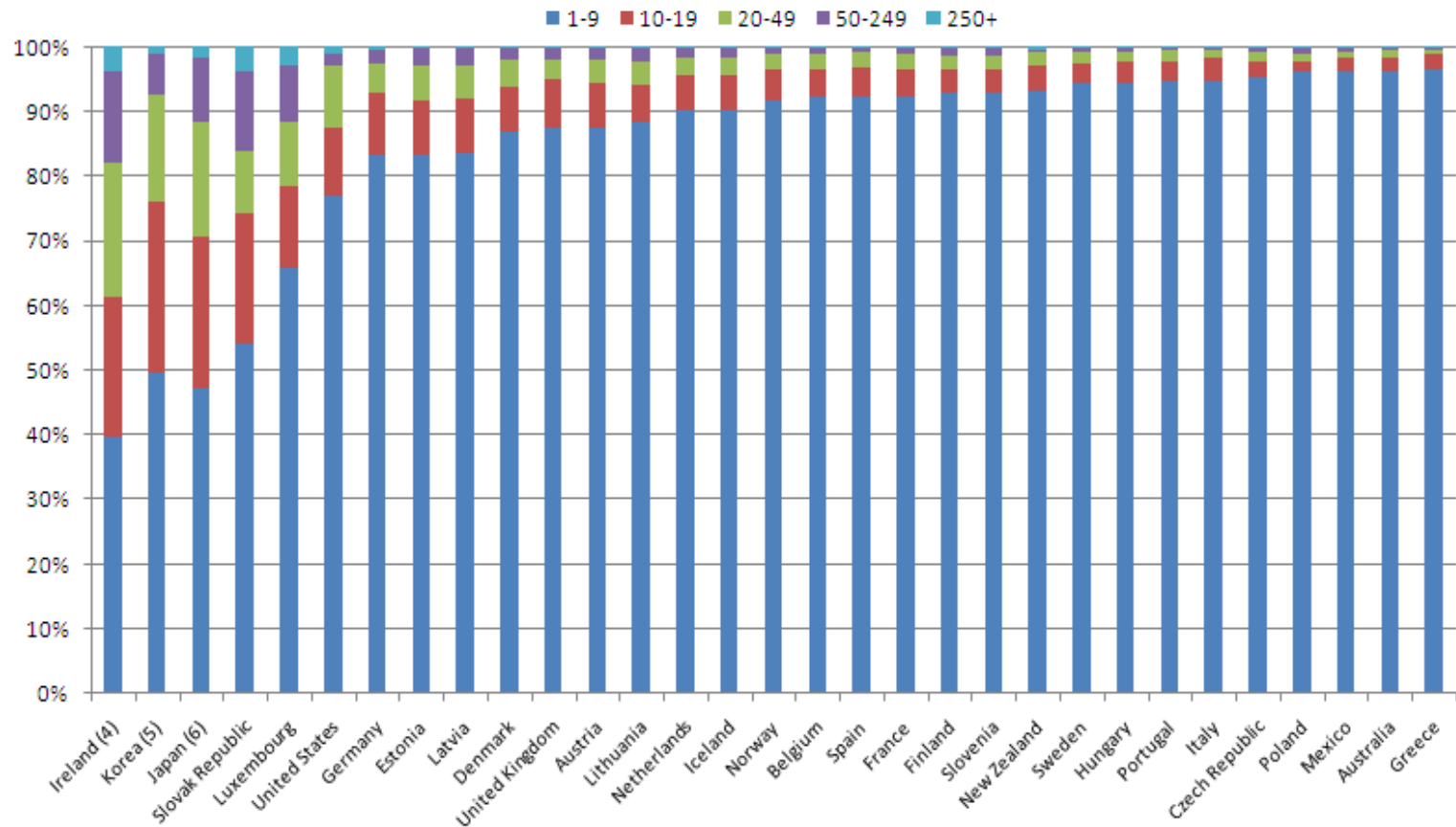
SMEs and entrepreneurship have important roles in innovation

- Upgrading aggregate productivity, exploiting knowledge, making breakthrough innovations

There is an uneven distribution of new and small firm innovation

- High-growth-potential versus typical firms

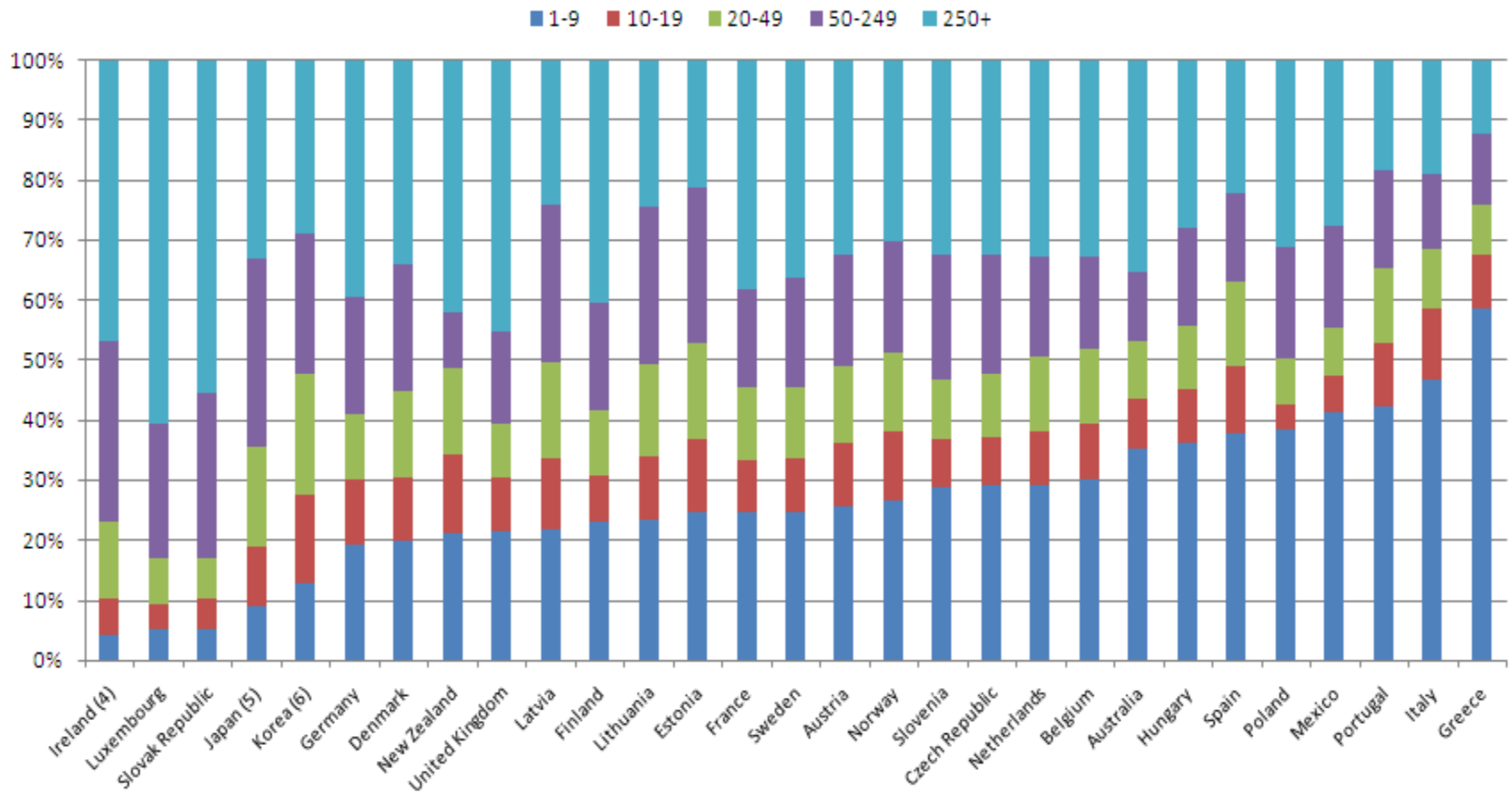
Number of enterprises^{1,2} By size class, 2006³



1. Market economy, excluding financial intermediation. Manufacturing sectors only for Ireland, Japan, Korea, Luxembourg and Slovak republic.
2. Number of establishments for Korea, Japan and Mexico
3. 2005 for Turkey and Iceland, 2004 for the United States, 2003 for Mexico
4. Enterprises with 3 or more persons engaged
5. Establishments with 5 or more persons engaged.
6. Establishments with 4 or more persons engaged

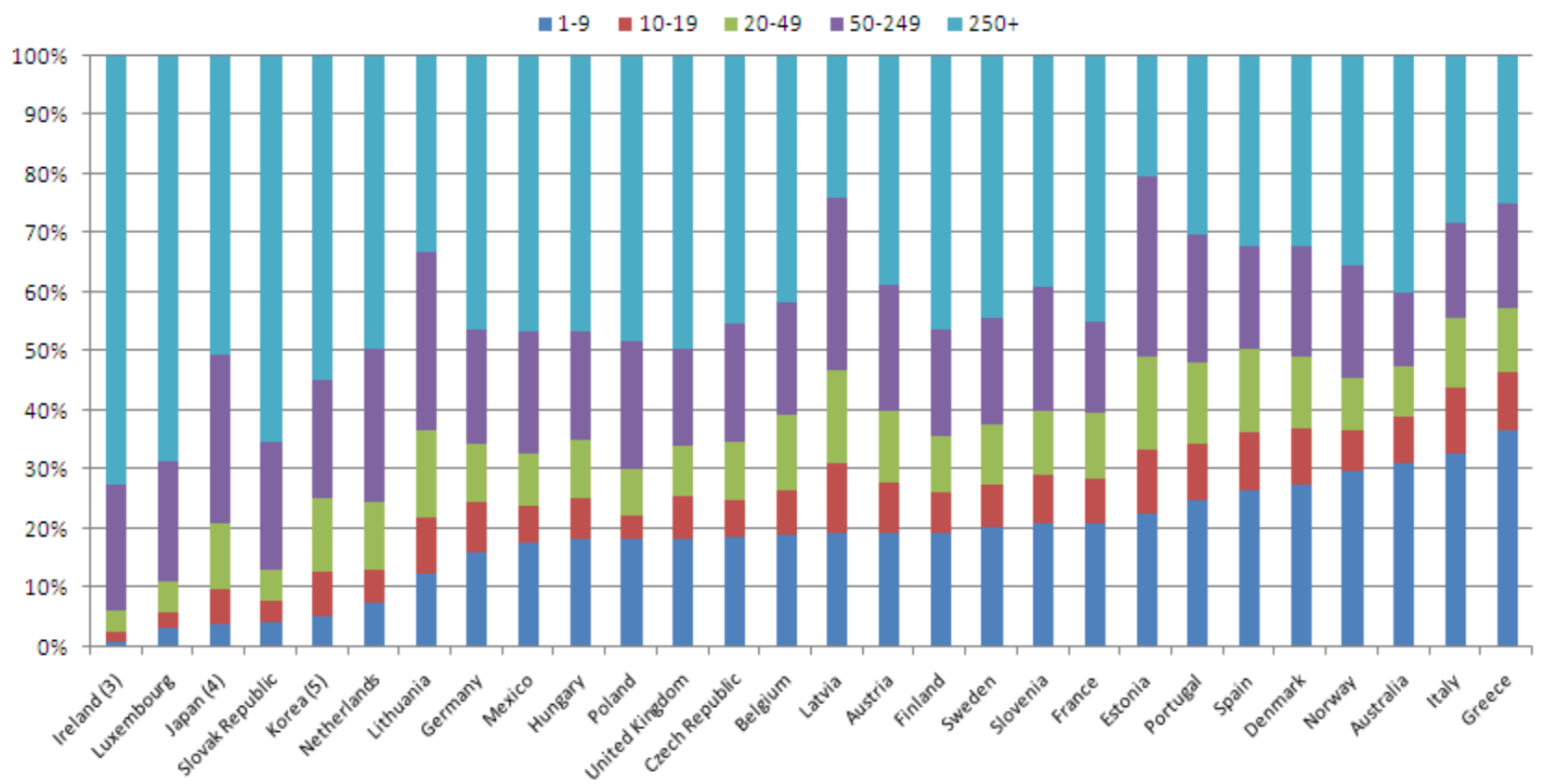
Employment^{1,2}

By size class, 2006³



1. Market economy, excluding financial intermediation. Manufacturing sectors only for Ireland, Japan, Korea, Luxembourg and Slovak republic.
2. Number of employees for New Zealand and the United States
3. 2005 for Turkey and Iceland, 2004 for the United States, 2003 for Mexico
4. Enterprises with 3 or more persons engaged
5. Establishments with 4 or more persons engaged.
6. Establishments with 5 or more persons engaged

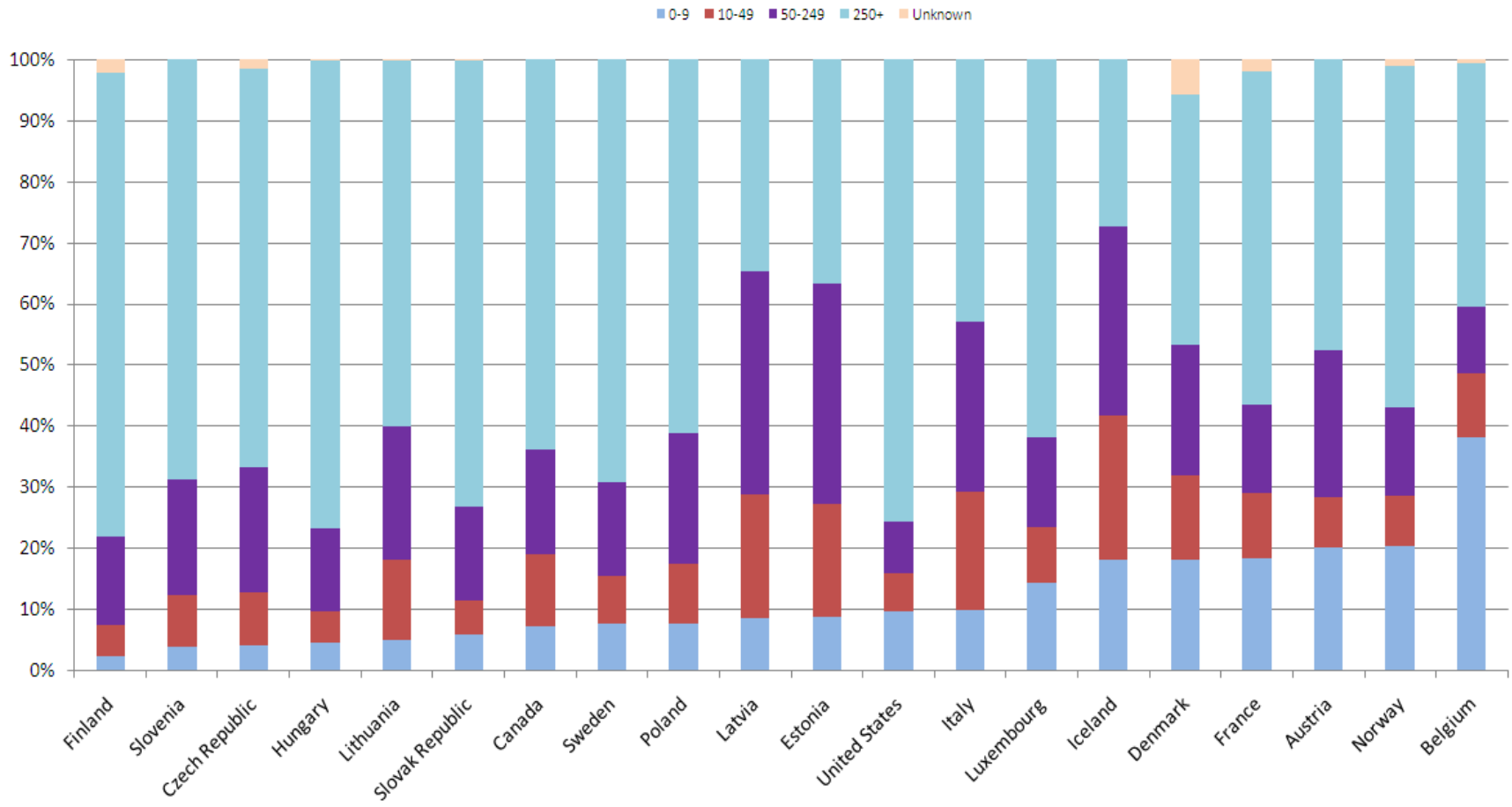
Value added¹ By size class, 2006³



1. Market economy, excluding financial intermediation. Manufacturing sectors only for Ireland, Japan, Korea, Luxembourg, Netherlands and Slovak Republic.
 2. 2005 for Turkey, 2003 for Mexico
 3. Enterprises with 3 or more persons engaged
 4. Establishments with 4 or more persons engaged.
 5. Establishments with 5 or more persons engaged



Export performance: Total export by size class¹ 2003, as a percentage of total value

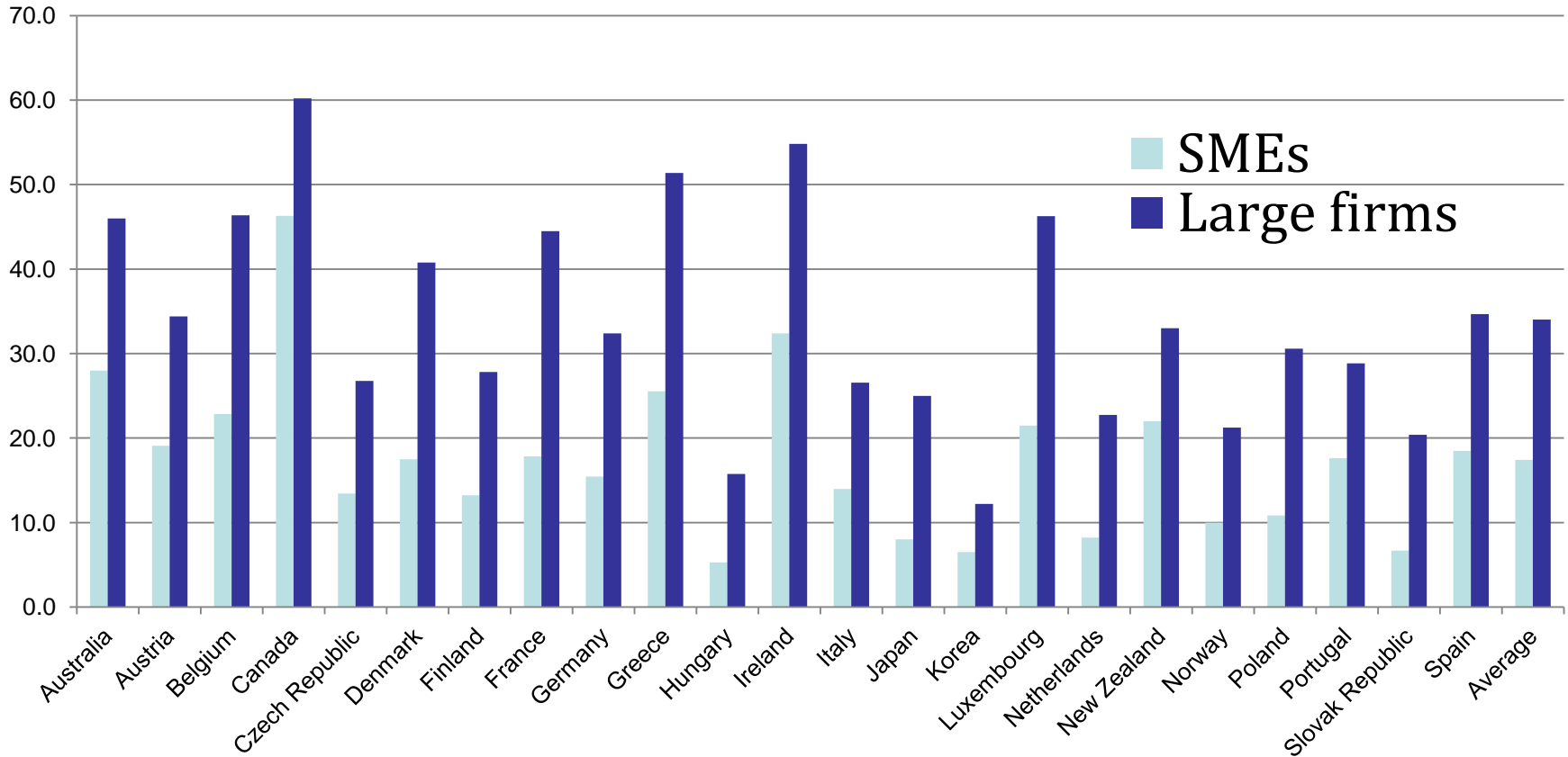


1. Total economy

Source: Eurostat, OECD TEC database

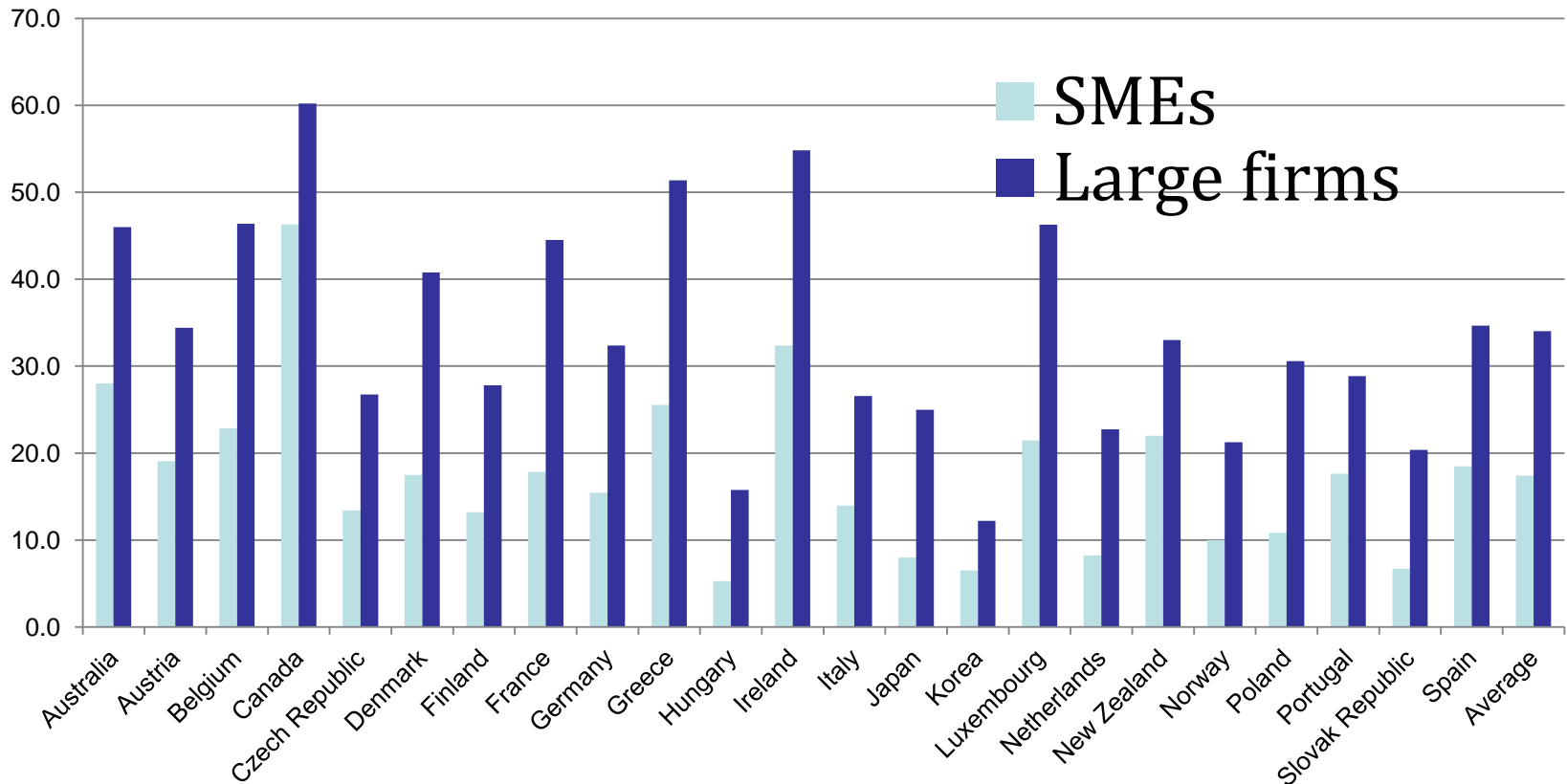
Product innovation

2004-2006

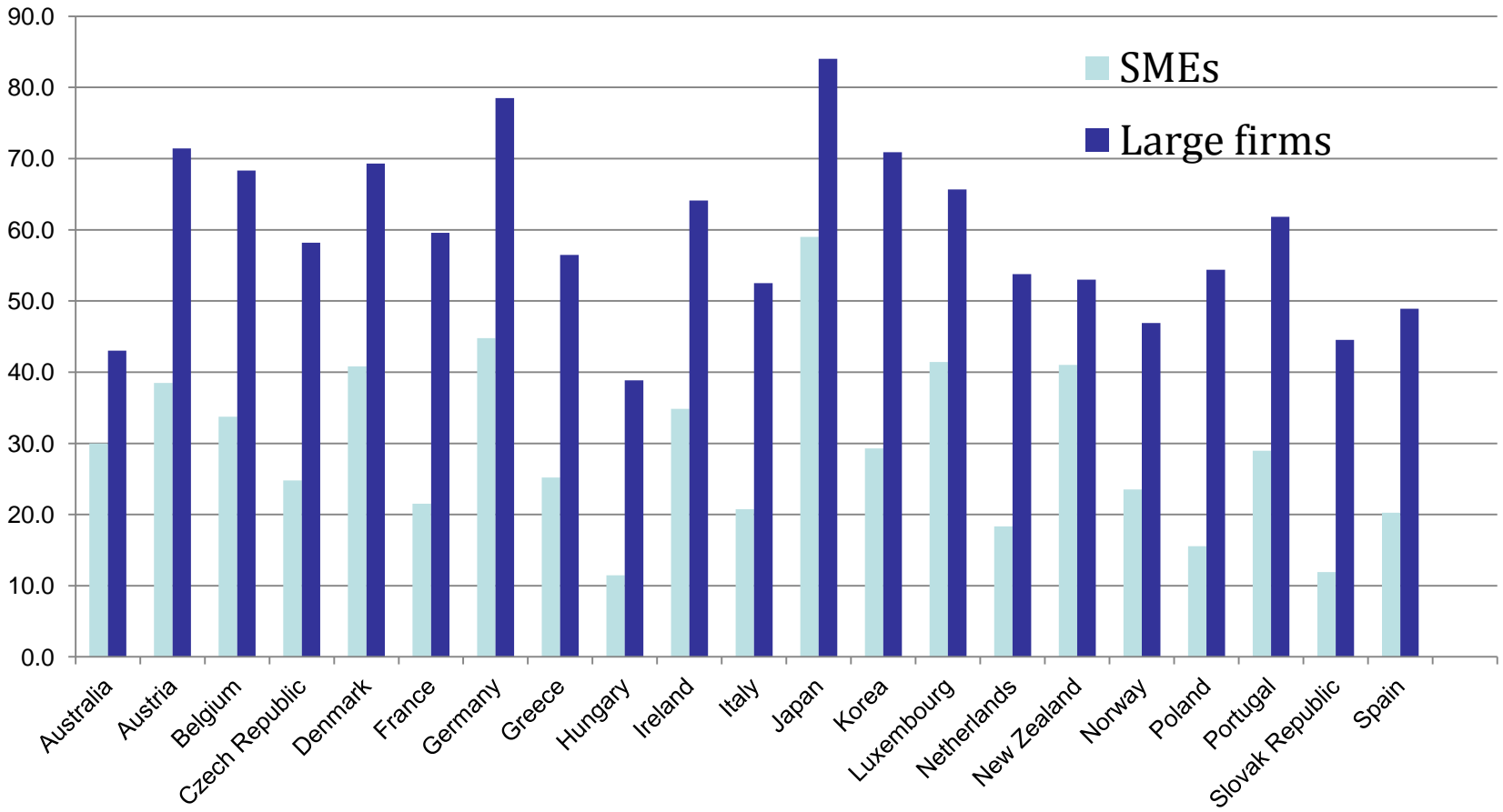


Process innovation

2004-2006

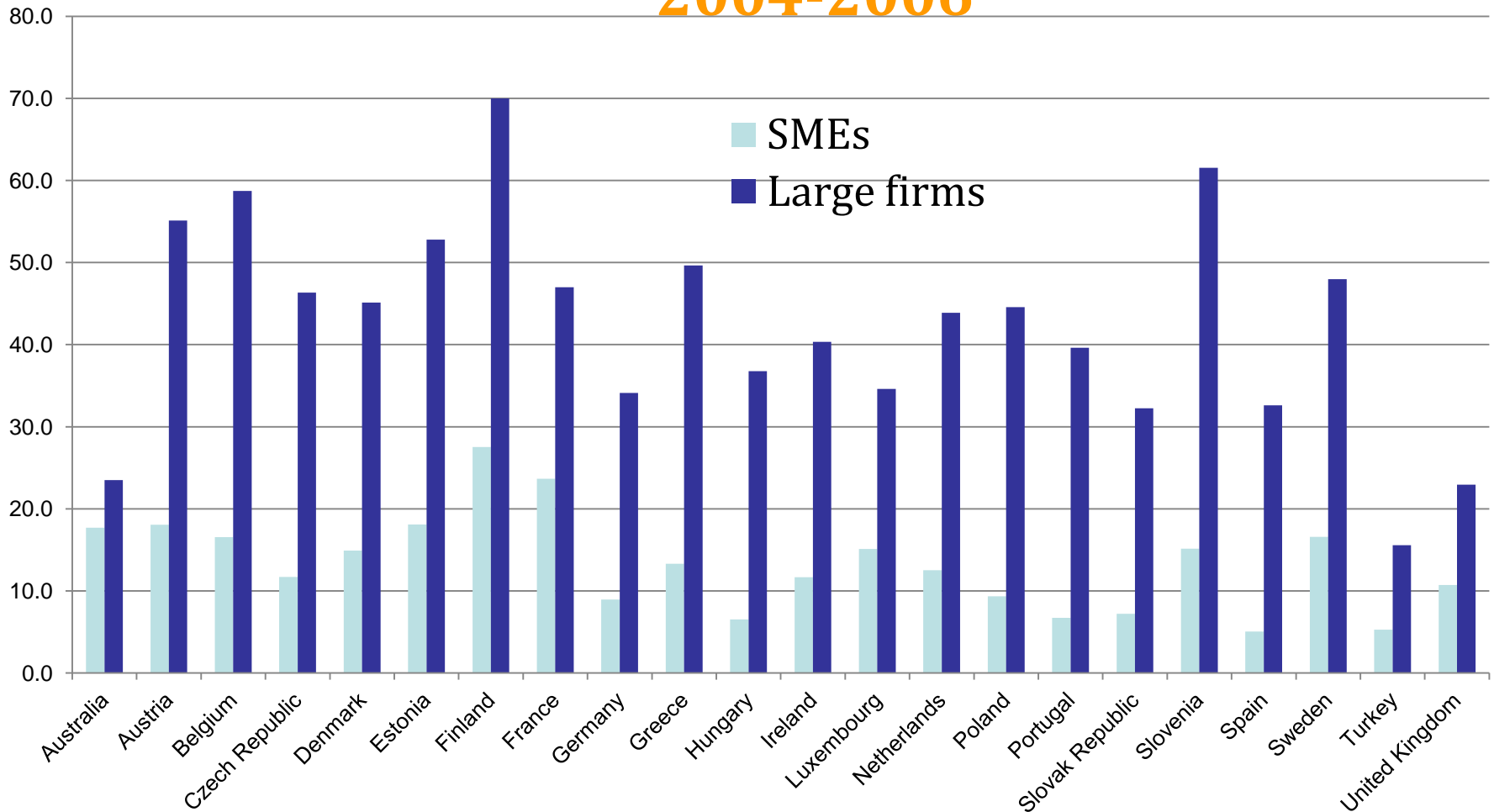


Marketing and organisational innovation, 2004-2006

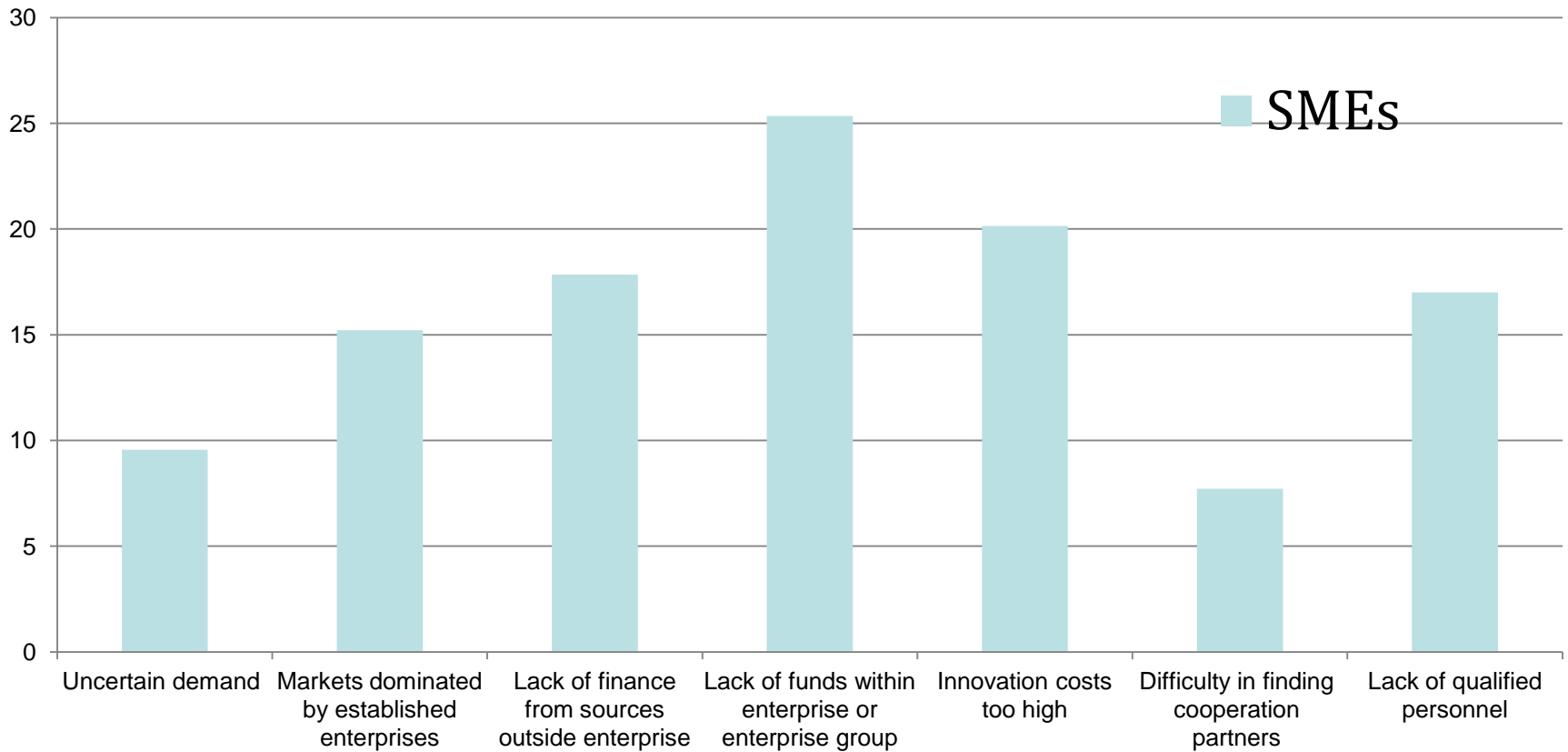


Firms collaborating in innovation activities

2004-2006



Perceived barriers to innovation – Example: Austrian SMEs



Knowledge flows

- SMEs innovate through interactions
- Local knowledge spillovers and spatial clusters are important
- Global knowledge flows should not be neglected

Entrepreneurship skills

- Formal education and training need to adapt (universities, vocational, schools)
- SME employees receive less training
- Knowledge intensive service activities support informal learning in SMEs (for instance e-commerce, market research, creative thinking applied to technical problems)

Recommendations

- Make policies to strengthen SMEs and entrepreneurship a main plank of government innovation strategies
- Introduce policies in four areas:
 - Promote conducive entrepreneurship cultures and framework conditions
 - Increase the participation of new firms and SMEs in knowledge flows
 - Strengthen entrepreneurial human capital
 - Improve the environment for social entrepreneurship and social innovation

Social entrepreneurship and social innovation

- Entrepreneurship and innovation for social objectives: employment, consumption, participation
- Social entrepreneurship is a type of social innovation working through socially-driven business ventures
- Social innovation includes public sector innovation and private for-profit sectors as well, including finance
- Both are important, substantial and growing, but not always well served by institutions