
Issues Paper 1: Innovative SMEs and Entrepreneurship for Job Creation and Growth

OECD Working Party on SMES and Entrepreneurship.

Source: *Bologna+10 High-Level Meeting on Lessons from the Global Crisis and The Way Forward to Job Creation, Paris 17-18 November 2010, OECD Paris.*

ABSTRACT:

New firms and innovative SMEs are playing an increasing role as drivers of growth and job creation in the economy, but they face major challenges in responding to globalisation and the shift to new forms of innovation. Firm creation and SMEs have also been strongly adversely affected by the global financial and economic crisis of 2008-9, which has been associated with substantial closures and rationalisations, but at the same time hold the prospect of driving a return to pre-crisis employment and output levels in the recovery period. To fulfil their potential for job creation and long-run growth, governments must ensure a business environment that stimulates entrepreneurship and does not impose undue burdens on innovative SMEs and an appropriate set of structural policies addressing market, system and government failures in areas including financing, access to markets and knowledge networks, the management of intellectual assets and entrepreneurial human capital. Governments must both address problems that have been exacerbated by the crisis and put into place a policy framework that is more conducive to innovation-led growth in the future.

KEY FINDINGS:

- SMEs represent the majority of all businesses and employment (approx. 99% of all firms and 75% of all employment).
- New firms play an important role in job creation (between 1% and 6% of employment is generated by new firms).
- High growth enterprises play a disproportionate role in job creation (10% of fastest growing firms create 50% to 60% of gross employment gains over 5-10 year period in Europe).
- Two major distinguishing characteristics of high-growth SMEs are their export focus and innovation capabilities.
- SMEs lost fewer jobs than large firms during past recessions, cushioning impacts of downturns.
- High growth SMEs can help raise productivity and innovation levels over the longer term;
- Some high growth SMEs can produce breakthrough innovations.
- The contribution of SMEs to national R&D is highly uneven and is often greater in smaller economies than large ones.
- Globalisation appears to be impacting on entrepreneurship by increasing market access.

IMPLICATIONS FOR MANAGERS:

- Regulatory and tax policies will constrain high growth, innovative SMEs and need to be reformed.
- SMEs seeking growth and competitive advantage must engage with international markets;
- To achieve this requires linking into collaborative research or global supply chains with larger firms.
- SMEs seeking to engage in innovation must develop clear strategies for the management of their Intellectual Property assets.
- Key management skills for fast growth SMEs are risk assessment, strategic thinking, self-confidence, networking and motivational leadership.
- Collaboration with publicly funded R&D centres (e.g. universities) should be pursued.