OECD Studies on SMEs and Entrepreneurship

Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth

OECD 2018 MINISTERIAL CONFERENCE ON SMES
# Table of contents

Foreword ........................................................................................................................................... 3  
Acknowledgements ............................................................................................................................... 5  
Executive Summary ............................................................................................................................... 11  
1. Key Issues ...................................................................................................................................... 15  

- SMEs are key to strengthening productivity, delivering more inclusive growth and adapting to the major transformations of our time ................................................................................................. 16  
- SMEs are very heterogeneous in their characteristics and performance ........................................ 18  
- SME productivity performance varies across firms, and the persistent gap with large firms affects growth potential and income distribution ................................................................................. 19  
- Enabling SMEs to scale up and innovate can have a considerable economic and social impact ..... 20  
- Digitalisation offers new opportunities for SMEs to participate in the global economy, innovate and grow ........................................................................................................................................... 22  
- Better access to global markets and knowledge networks can strengthen SMEs’ contributions .... 24  
- The new industrial revolution, changing nature of work and demographic trends present new opportunities and challenges for SMEs ........................................................................................................... 26  
- A sound business environment is essential for SME competitiveness and growth ....................... 26  
- Financing in the appropriate forms is important to enable small businesses to start up, develop and grow ........................................................................................................................................... 28  
- Entrepreneurship competencies and management and workforce skills also drive business innovation and growth ........................................................................................................................................... 29  
- Monitoring and evaluation of SME policies are needed to deliver strong outcomes ................... 30  
- A holistic, cross-cutting perspective on SMEs is needed to seize the potential for SME growth in a rapidly evolving context ................................................................................................................... 30  
- References ...................................................................................................................................... 31  

2. Enabling SMEs to Scale Up .............................................................................................................. 35  

The scaling up of SMEs is key to boost productivity and achieve inclusive growth .......................... 36  
Productivity growth is faster when businesses can grow... and shrink ........................................... 37  
SMEs can experience high-growth at different stages of their life cycle, generating benefits for the economy ........................................................................................................................................... 37  
... but high growth is a transitory stage in the life of firms .................................................................. 37  
Start-ups that scale up provide a key contribution to job creation ...................................................... 38  
... but post-entry growth of start-ups varies widely across countries .................................................. 40  
Medium-sized enterprises that scale up are key drivers of competitiveness ...................................... 41  
SMEs can achieve scale through different mechanisms, including external growth ....................... 42  
Digitalisation is a powerful engine to scale up, enabling new modes of growth ............................... 42  
Participation in global markets and GVCs can also spur growth .......................................................... 43  
Policy can play a role in enabling SMEs to scale up ........................................................................... 43  
A coordinated policy approach is needed to devise mutually reinforcing policies for SME scale-up ........................................................................................................................................... 48  
Notes .................................................................................................................................................. 49  
References .......................................................................................................................................... 49  

STRENGTHENING SMES AND ENTREPRENEURSHIP FOR PRODUCTIVITY AND INCLUSIVE GROWTH © OECD 2019
### 3. Enhancing SME access to diversified financing instruments

Access to finance is key to the creation, growth and productivity of SMEs... 53
Longstanding challenges in accessing bank finance limit SME growth in many countries... 54
The recovery in SME lending following the crisis has been uneven... 54
Overall, SMEs remain too dependent on straight debt... 57
There are opportunities for SMEs to tap into a wide range of alternative financing instruments... 58
The digital transformation offers new opportunities to improve SME access to finance... 62
The G20/OECD High Level Principles on SME Financing provide a comprehensive framework for policy makers... 63
Governments have been stepping up efforts to foster a diversified financial offer for SMEs... 64
Notes... 69
References... 69

### 4. Fostering greater SME participation in a globally integrated economy

Better access to global markets is key to strengthening SME contributions to economic development and social well-being... 73
Changes in the global trading environment offer new opportunities for SMEs... 74
A range of internal and external factors influence SMEs’ ability to participate in global markets... 76
SMEs are adapting their internationalisation strategies for the 21st century... 80
Policies can enable SMEs to integrate into global markets... 84
Creating a supportive domestic and international operating environment for SMEs takes a whole-of-government approach... 86
Notes... 87
References... 87

### 5. Improving the business environment for SMEs through effective regulation

Why does it matter?... 91
What are current trends and challenges?... 92
What are key areas for policy to consider?... 96
Notes... 97
Further Reading... 98

### 6. Business transfer as an engine for SME growth

Why does it matter?... 99
What are current trends and challenges?... 100
What are key areas for policy to consider?... 103
Notes... 104
Further Reading... 105

### 7. Developing entrepreneurship competencies

Why does it matter?... 107
What are current trends and challenges?... 108
What are key areas for policy to consider?... 111
Notes... 112
Further Reading... 112

### 8. Promoting innovation in established SMEs

Why does it matter?... 113
What are current trends and challenges?... 114
What are key areas for policy to consider?... 117
Further reading ....................................................................................................................... 119

9. Strengthening social inclusion through inclusive entrepreneurship ......................................... 121
   Why is it important? ................................................................................................................. 122
   What are current trends and challenges? ................................................................................ 122
   What are key areas for policy to consider? ................................................................................ 124
   Further Reading .................................................................................................................... 126

10. Monitoring and evaluation of SME and entrepreneurship programmes ................................. 127
   Why is it important? ................................................................................................................ 128
   What are current trends and challenges? ................................................................................ 128
   What are the key areas for policy to consider? ........................................................................ 130
   Notes ..................................................................................................................................... 131
   Further Reading .................................................................................................................... 131

Annex A. Conference Programme ............................................................................................... 133
   Agenda at a glance .................................................................................................................. 134

Annex B. Declaration on Strengthening SMEs and Entrepreneurs for Productivity and Inclusive Growth ......................................................................................................................... 143

Annex C. Chair’s Summary ......................................................................................................... 147
   Enabling SMEs to scale up ..................................................................................................... 148
   Enhancing SME access to diversified financing instruments ................................................... 150
   Fostering greater SME participation in a globally integrated economy .................................... 151
   Improving the business environment for SMEs through effective regulation .......................... 152
   Business transfer as an engine for SME growth ..................................................................... 153
   Developing Entrepreneurial Competencies ............................................................................ 154
   Promoting innovation in established SMEs ........................................................................... 154
   Strengthening social inclusion through inclusive entrepreneurship ......................................... 155
   Monitoring and Evaluation of SME and Entrepreneurship Policies and Programmes .............. 156
   The way forward ..................................................................................................................... 158

Tables

Table 3.1. Suitability of alternative financing instruments for different firm profiles and stages ....... 59
Table 7.1. The entrepreneurship competencies identified in the EntreComp entrepreneurship competency framework .................................................................................................................. 110
Table 10.1. Six Steps: Methods for assessing the impact of SME policy ........................................ 130

Figures

Figure 1.1. SMEs provide the main source of business employment ............................................. 17
Figure 1.2. Once in business, women entrepreneurs feel as confident as men about the future ....... 18
Figure 1.3. There are large differences in the SME contribution to employment and value added across countries, particularly in manufacturing ................................................................. 19
Figure 1.4. The productivity gap between large firms and smaller SMEs has widened since the global crisis ................................................................................................................................. 20
Figure 1.5. Young firms are a key driver of job creation ................................................................. 21
Figure 1.6. SMEs lag behind in the adoption of more sophisticated digital technologies ............ 24