

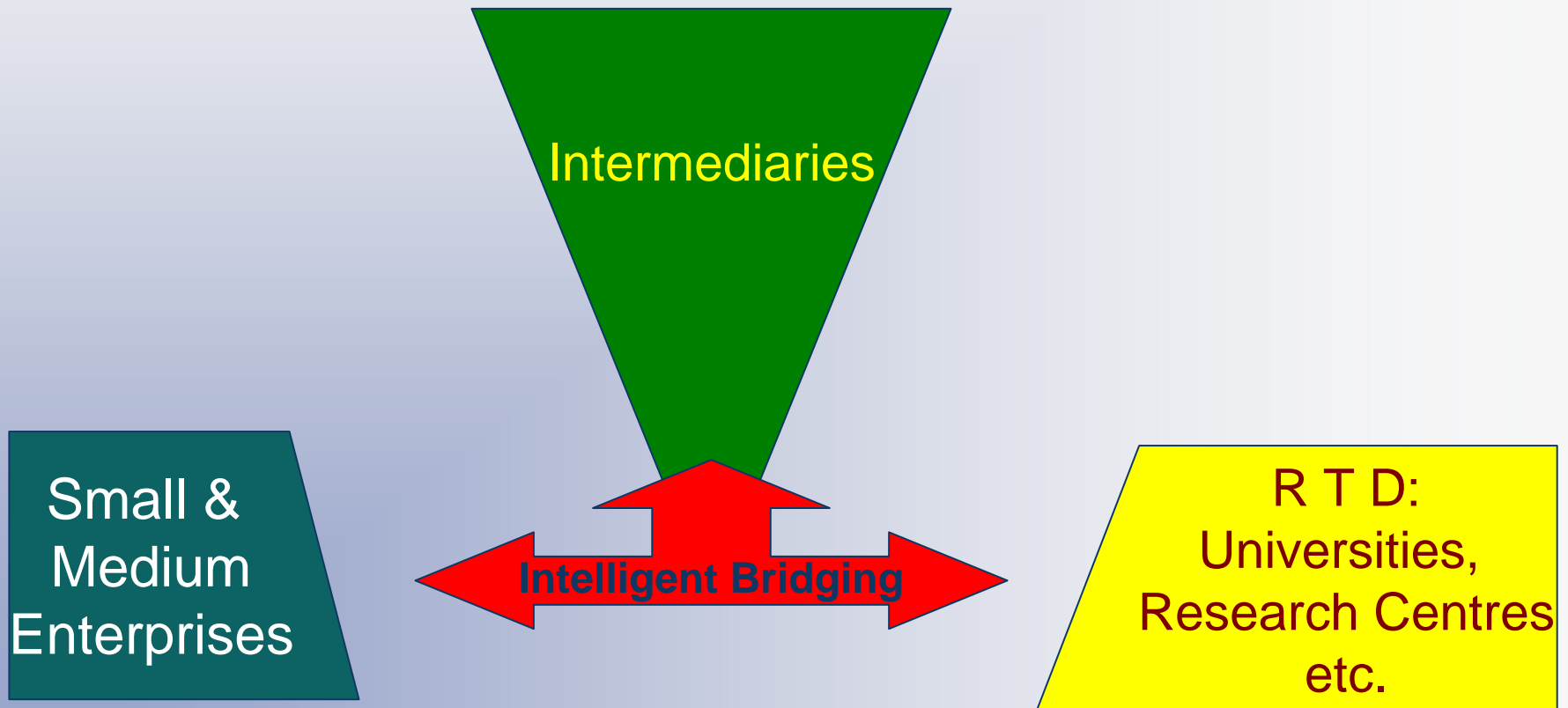
SME and Regional Innovation Support

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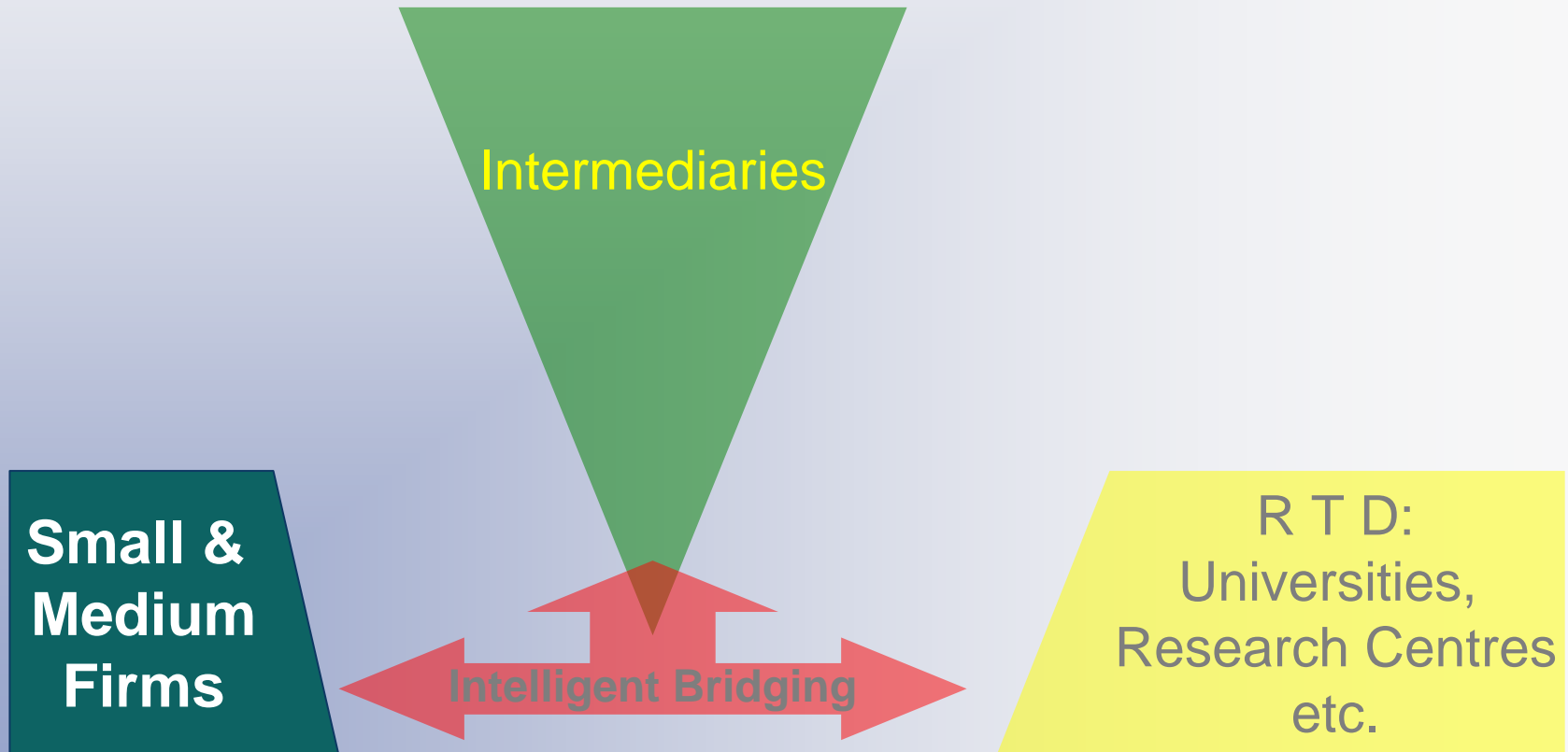
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Brussels, 18/10/2007

The Innovation Process



Small & Medium-sized Firms



SMEs in EU-19, 2003

Table 1.1: The basic facts about SMEs and large enterprises in Europe-19, 2003

	SME	Large	Total
Number of enterprises (1 000)	19 310	180	19 310
Employment (1 000)	123 710	11 400	139 710
Occupied persons per enterprise	6.4	63.9	7
Turnover per enterprise (1 000)	0.9	319.0	1.6
Share of exports in turnover (%)	16	23	17
Value added per occupied person (1 000)	55	120	75
Share of labour costs in value added (%)	56	47	52

Source: Estimated by EIM Business & Policy Research; estimates based on Eurostat's Structural Business Statistics and Eurostat's SME Database. Also based on European Economy, Supplement A, May 2003 and OECD: Economic Outlook, No. 71, June 2003. Since a different source has been used, data presented is not directly comparable with data presented in earlier reports of the Observatory of European SMEs. Details by country are included in Annex I.

Source: Quoted in Observatory of European SMEs Report No 8, 2003, p.9

SME: USA vs EU

Table 1.3 Enterprises and employment in non-primary private enterprise, USA, Japan and Europe-19

	SME				LSE	Total
	Micro	Small	Medium	Total		
Enterprises USA, 2000						
Number of enterprises (x 1 000)	19 988	1 009	167	21 164	59	21 223
Occupied persons (x 1 000)	27 872	20 061	15 660	63 593	66 042	129 635
Occupied persons per enterprise	1	20	94	3	1 119	6
Enterprises Japan, 2001						
Number of enterprises (x 1 000)	n/a	n/a	n/a	4 690	13	4 703
Occupied persons (x 1 000) ^a	n/a	n/a	n/a	25 601	12 676	38 277
Occupied persons per enterprise ^a	n/a	n/a	n/a	5	975	8
Europe-19, 2003						
Number of enterprises (x 1 000)	17.820	1 260	180	19.270	40	19 310
Occupied persons (x 1 000)	55 040	24 280	18 100	97 420	42 300	139 710
Occupied persons per enterprise	3	19	98	5	1 052	7

^a Regular employees of companies + regular employees of sole proprietor establishments.

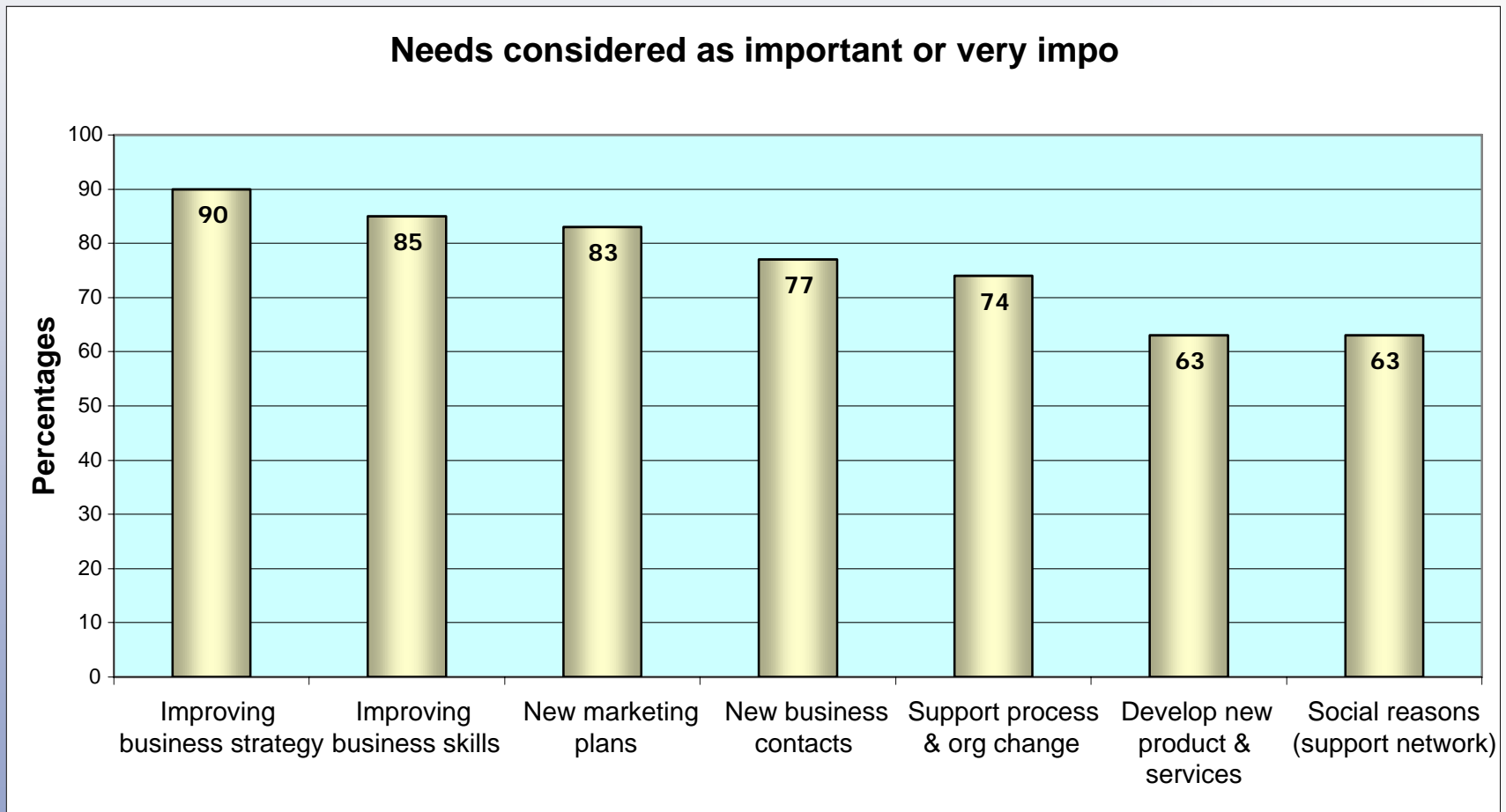
Sources: USA: SBA and US Census; Japan: MPHPT, Establishment and Enterprise Census of Japan (2001); Europe-19: Estimated by EIM Business & Policy Research; estimates based on Eurostat's Structural Business Statistics and Eurostat's SME Database. Also based on European Economy, Supplement A, May 2003 and OECD: Economic Outlook, No. 71, June 2003. Details by country are included in Annex I.

Source: Quoted in Observatory of European SMEs Report No 8, 2003, p.12

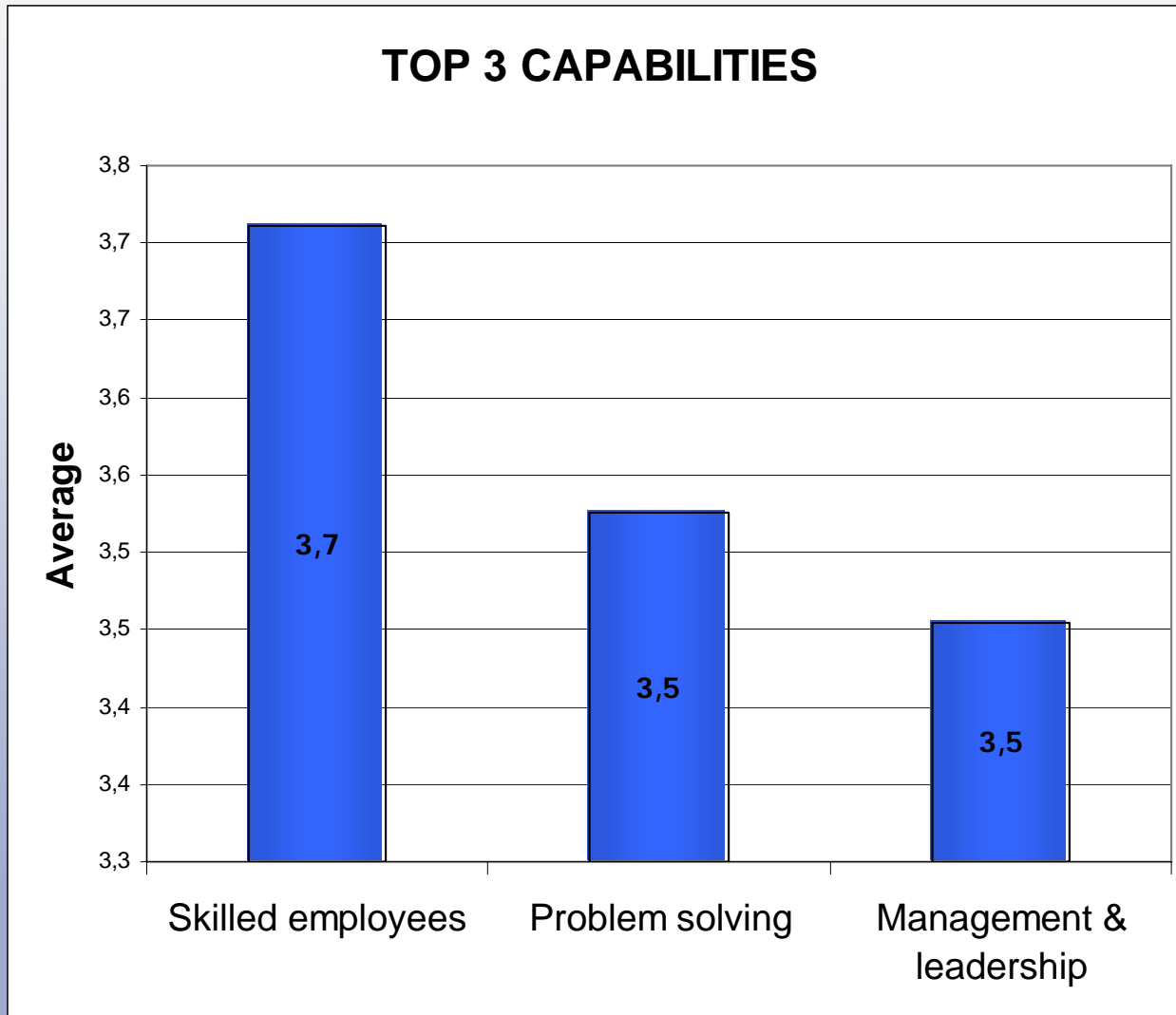
SMEs Potential (UK)

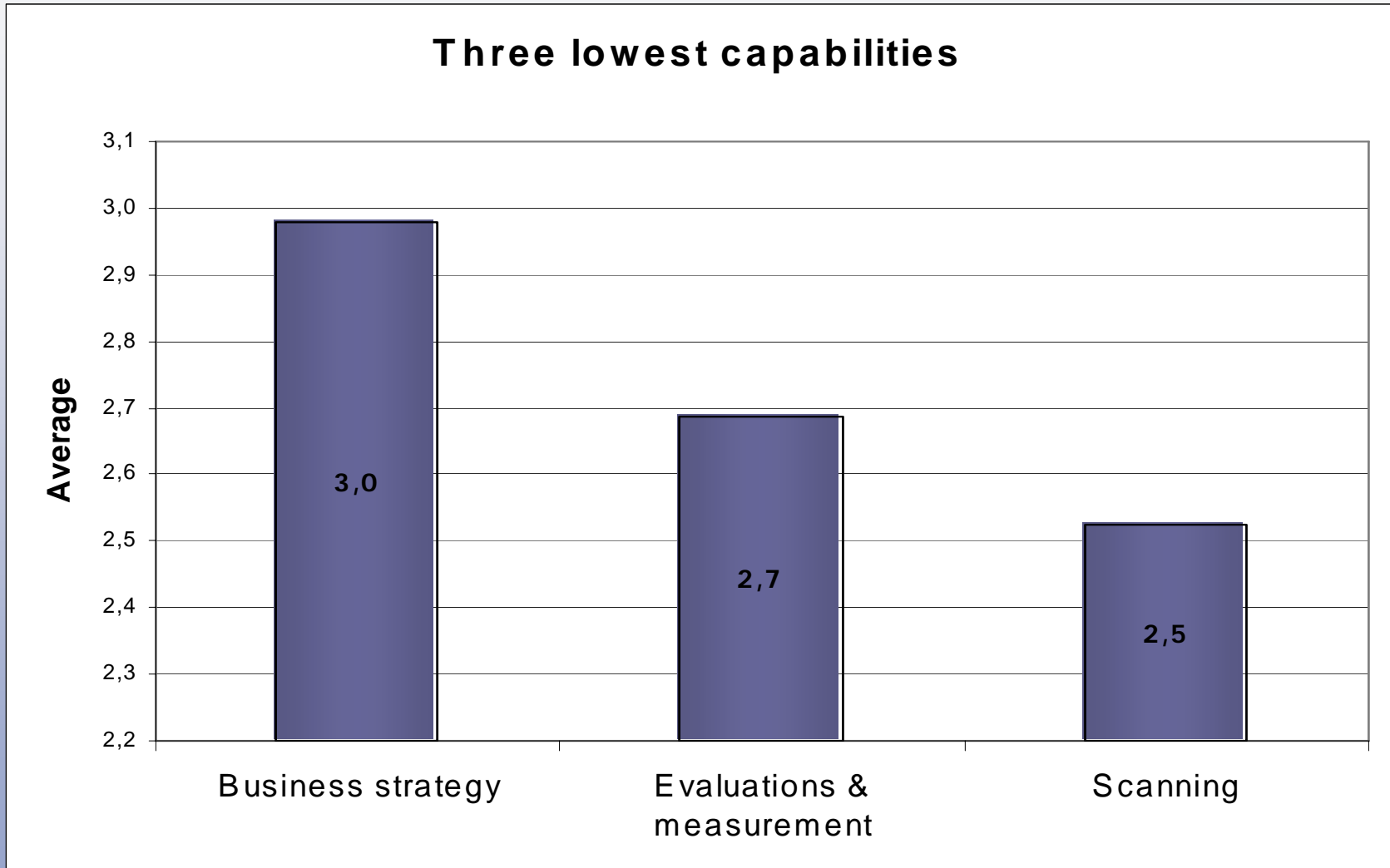
- **Plan to grow**, over the next 3-5 years: **58%**
- Less than 50% have a **business plan**
- Only 20% of SMEs have a **human resources strategy**
- The figure, about UK companies have any interactions with universities, is generally put at **less than 20%**
- Very weak: **higher level skills & best practice** promotion

High-level Skills



SMEs Strengths





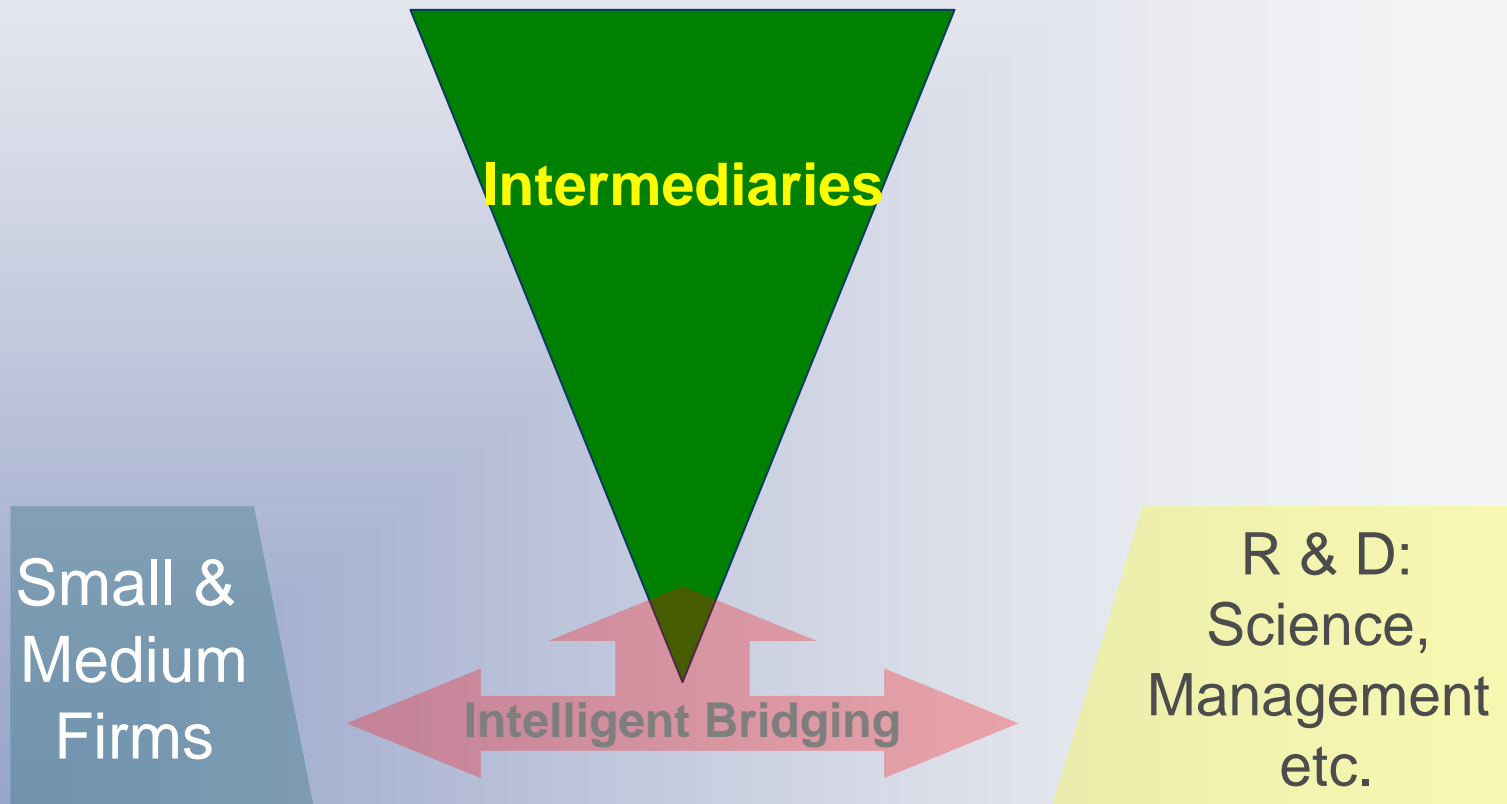
Unlocking the growth potential of SMEs

- ☾ Especially the smallest firms, suffer from “the SME entrepreneurs' **limited ability to diagnose** effectively their own competence **needs** or their **limited contact with relevant sources** of competence.”
 - Observatory of European SMEs (2003, Report No 8, p. 6)
- ☾ “**The difficulties of acquiring external competence are higher in small than in large enterprises.** The smaller scale limits the individual enterprise's absorptive capacity”
 - Observatory report (2003, No 1, p.26)
- ☾ “SMEs particularly affected by skill problems ... have more difficulties to identify ... relevant sources of competencies and **name more frequently a lack of public support for these activities**”.
 - Observatory of European SMEs (2003, Report No 1, p. 33)

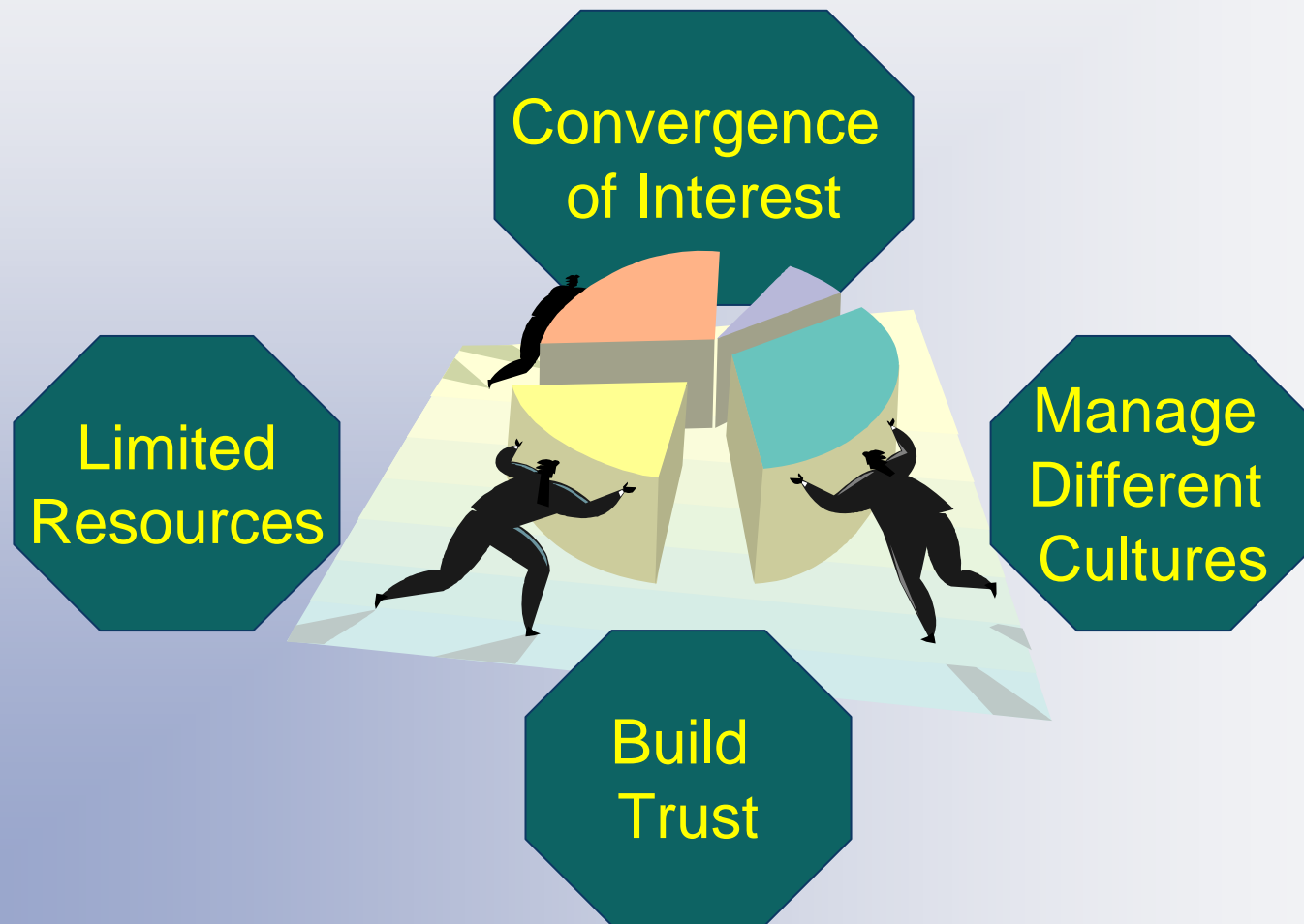
Absorptive Capacity

- ☞ The ability to **identify the right knowledge** and the right RTD performers which involves articulating the firms' needs, identify the relevant sources of knowledge, assess the quality of this knowledge etc.
- ☞ The ability to **organise the outside knowledge acquisition**, ranging from setting-up and rolling-out the knowledge transfer project, dealing with Intellectual Property Rights etc.
- ☞ The ability to **assimilate the outside knowledge** within its organisation, which is about acquiring the ability to make appropriate and relevant distinctions of the key issues and the key solutions of the transferred knowledge
- ☞ The ability to **fuse the absorbed knowledge into the pre-existing internal knowledge**, managing its diffusion to the relevant people and departments of the firm
- ☞ The ability to **exploit the absorbed knowledge**, i.e. the ability to transform the incoming knowledge into new products, services or processes and gain commercial gains

The Intermediaries



Intermediaries Objectives



Intermediary Roles

<u>User Needs</u>	<u>Bridging Activity</u>	<u>Supply side</u>
Technology	Articulation of needs Selection of options	Sources of technology
Skills and Human Resources	Identification of needs Selection, training	Labour market Training resources
Financial Support	Investment appraisal Make a business case	Sources of finance
Business and Innovation Strategy	Identification & development Organisational development	Environmental signals Best practice examples
Knowledge about new technology	Education, information Locate key sources	Emerging knowledge base
Implementation	Project management Managing external resources	Specialist resources

Information-centric
Routinised simple tasks

Business & strategy
Complex advanced skills

The Exercise

☾ Split in Groups

☾ Each group chooses a rapporteur to report back to the plenary

☾ *Group 1: Enhance The Absorptive Capacity of Regional SME*

- i. What are the causes of **low absorptive capacity of SMEs**?
 - ⇒ Fishbone diagram
- ii. What is the role of coaching in increasing the absorptive capacity of SMEs?

☾ *Group 2: Interactive Learning In The Region*

- iii. What are the causes of **low interactive learning among different economic stakeholders in a region**?
 - ⇒ Fishbone diagram
- What can an effective coaching can do for improving these relationships?

The Fishbone Exercise

**Example of Fishbone Diagram for Problem:
Limited use of Quality Tools in NPD**

