Connect, compete and change for inclusive growth

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SMEs
The Missing Link for Inclusive Growth
SME characteristics: Productivity and wages

- SMEs are generally less productive than large firms.
- The gap is larger in developing countries.
- A similar pattern is observed in wages.

Source: OECD-UN-ECLAC (2013)
What matters for SMEs, matters for your people

Productivity increases of SMEs can contribute to growth and to inclusiveness at the same time.
Firms connected to international markets are more productive and create more employment

In Tunisia, being connected to international markets …
- boosts firms’ **productivity by 143%**
- raises firms’ **profitability by 196%**
- increases firms’ contribution to **job creation by 16%**

Source: Baghdadi (2015)

SME competitiveness matters for inclusive growth
SME Competitiveness
A Pilot Assessment
SME competitiveness in this report …
…builds on existing competitiveness literature …

- Competitiveness is defined along lines of business
- Competitiveness definition is not firm size specific

- Assessment relies on publicly available data from international sources (e.g. World Bank, WIPO)
- Approach used is in line with approach used in other competitiveness assessments (e.g. WEF)
- First findings on competitiveness are in line with findings on productivity in the relevant literature
...and complements it

- Adding a focus on the firm-level allows to assess the performance of SMEs
- Emphasising the role of the immediate business environment (includes local, regional and sectorial institutions) as a determinant of competitiveness
- Putting a stronger emphasis on the dynamic aspect of competitiveness
- Using ITC data
### SME Competitiveness Grid

#### Pillars of competitiveness

<table>
<thead>
<tr>
<th>Layers of competitiveness</th>
<th>Capacity to compete</th>
<th>Capacity to connect</th>
<th>Capacity to change</th>
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</thead>
<tbody>
<tr>
<td>Firm level capabilities</td>
<td></td>
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<tr>
<td>Immediate business</td>
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<td>environment</td>
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<td>National environment</td>
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</table>
25 Country Profiles
Identify which factors damp SME competitiveness most

**Developed countries**

- Quality certification
- Bank account
- Capacity utilization
- Manager's experience
- E-mail
- Website
- Fin. audits
- Bank financing
- Training
- Foreign licenses

**Least developed countries (LDCs)**

- Quality certification
- Bank account
- Capacity utilization
- Manager's experience
- E-mail
- Website
- Fin. audits
- Bank financing
- Training
- Foreign licenses

Source: ITC calculations from World Bank Enterprise Survey dataset.
In LDCs, the largest performance gap between small and large firms is in connectivity
Identify in which layers strengths and weaknesses lie
25 Country profiles: a comprehensive picture of challenges and opportunities for SMEs

- **A, B, C:** SME competitiveness according to Grid
- **D:** How are SMEs affected by NTMs
- **E:** In which product lines does the country encounter unexploited export potential and how important are those lines for SMEs and for gender employment
www.intracen.org/SMEOutlook/