



International
Trade
Centre

TRADE IMPACT
FOR GOOD

SME Competitiveness Benchmarking



Be smart

Be strategic

Be sustainable



SME COMPETITIVENESS BENCHMARKING



Why SMEs matter

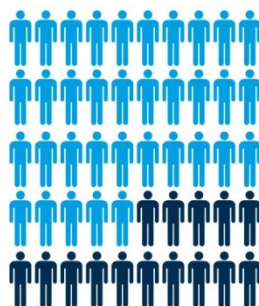
SMEs account for between 60-70% of employment and the majority of new job creation in most developing countries. They also tend to employ the most vulnerable segments of society such as the poor, young and women. However, SMEs suffer from high failure rates and low productivity.

If higher numbers of SMEs were able to survive and grow, the benefits of GDP growth and employment would touch a broader part of the population and allow for more inclusive economic growth.

Benchmarking enables countries to assess the health of their SMEs by identifying their strengths and weaknesses. This helps policymakers, private sector associations and investors make better informed, evidenced-based, decisions.

International value chains provide an opportunity for SMEs to internationalize and scale up their operations, but how to get there? ITC supports governments to design sustainable trade strategies, and enable change in firms' capacities to compete and participate in international value chains.

**SMEs represent
60–70%
of EMPLOYMENT
in the world**



BENCHMARKING FOR SUSTAINABLE GROWTH



ITC has long-standing experience in assessing SME competitiveness. As such, it can assist governments, investors and business support institutions to be *SMART*, *STRATEGIC* and *SUSTAINABLE*.

BE SMART: Know Your Client

ITC's SME Competitiveness Benchmarking allows trade and investment support institutions to assess the strengths and weaknesses of their members.

Gaps in the services delivered by business support institutions can then be matched to firms' weaknesses, to identify which new services are needed to increase SME competitiveness. Benchmarking thus ultimately enables Business support institutions to provide better services to their members and boost firm's competitiveness.

BE STRATEGIC: Sector & Value Chain Strategies

Based on SME Competitiveness Benchmarking, ITC assists governments, investors and business support institutions in developing comprehensive sector and value chain strategies.

Building on our range of tools and services, ITC strategies provide home-grown solutions that: help partner countries understand their current situation, identify potential growth areas and develop action-oriented blueprints on how to get there.

BE SUSTAINABLE: Making the SDGs a Reality

SMEs competitiveness is an ingredient for progress towards sustainable development. Assisting governments to set up national SME competitiveness data collection enables direct tracking of progress on three key sustainable development goals: Decent work and economic growth; Gender quality and Quality education.

ITC'S CONCEPT OF COMPETITIVENESS

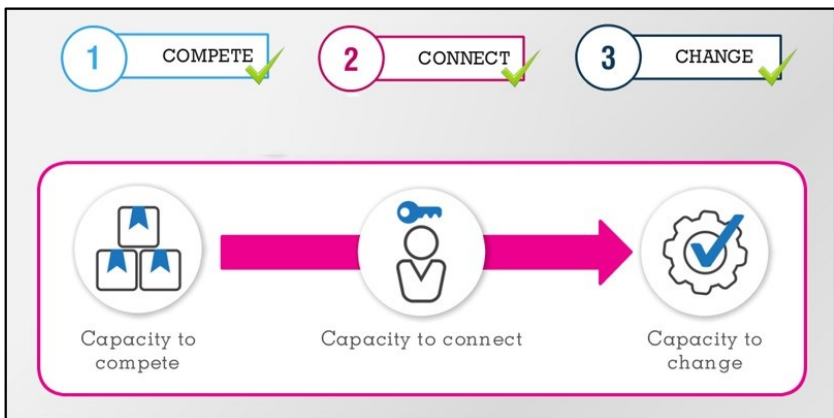
Competitiveness is complex. Dimensions include time, scale, space and scope. The ITC definition is independent of firm size, and reflects the rapidly changing environment in which firms operate:

“Competitiveness is the demonstrated ability to design, produce and commercialize an offer that fully, uniquely and continuously fulfils the needs of targeted market segments, while connecting with and drawing resources from the business environment, and achieving a sustainable return on the resources employed.”

The ITC Competitiveness definition is explained in more detail in the SME Competitiveness Outlook 2015. In brief, competitiveness is classified according to pillars and levels of competitiveness.

The pillars of competitiveness

- **Compete** is the static dimension of competitiveness. It assesses whether current production is efficient and meets market requirements.
- **Connect** is the connectivity dimension of competitiveness. To be competitive, enterprises must link to customers, businesses, institutions, and be literate in information and communications technology.
- **Change** is the dynamic dimension of competitiveness. It assesses whether enterprises have the capacity to make human and financial investments to adapt to fast-changing markets.



The levels of competitiveness

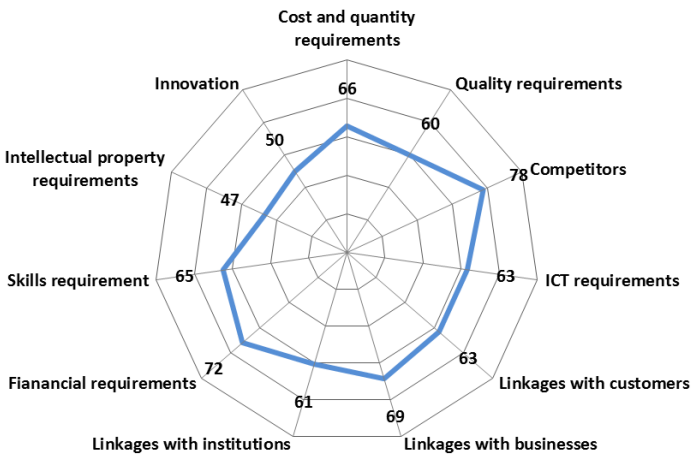
- **Firm capabilities** assesses whether enterprises are managed according to best practices, need resources, and whether they have competencies to manage those resources.
 - **Business ecosystem** assesses whether the local business ecosystem, which is made up of business support institutions, supplies enterprises with the resources or competences they need to be competitive.
 - **National environment** assesses the macro-economic and regulatory environment enterprises operate under. The national and regulatory environment is primarily set by government.
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FROM BENCHMARKING TO ACTION

The data collected through our survey allows ITC economists to identify the strengths and weaknesses of SMEs in partner countries. An example from the analysis performed on data collected among women-led services firms in Indonesia is shown below.

Indonesian women-led services firms perform best on areas related to understanding their competitors, and worse on intellectual property and innovation requirements. Both themes are critical to the ability of firms to remain competitive in the long term.

SME Competitiveness Benchmarking: results at a glance



Source: SheTrades: Promoting SME Competitiveness in Indonesia. ITC 2017.

In-depth analysis reveals what is driving these low scores. Only 27% of women-owned or led enterprises hold a domestic patent for their main product, and just 2% hold an international patent. This is due to firms being unaware of the benefits of holding patents and incorrectly believing that patents are only relevant for large firms.

Such detailed information on firm-level competitiveness allows ITC to map the current set of services Business support institutions provide.



Gaps in services offered by business support institutions can then be matched to firms' weaknesses in order to inform institutions which new services are needed to increase SME competitiveness.

NATIONAL OWNERSHIP, GLOBAL VISIBILITY



ITC collaborates closely with national institutions to collect SMECS data. This collaboration enable partners to:

- Identify their client base;
- Understand client characteristics and needs;
- Design better policies and assistance programmes;
- Benefit from capacity building;
- Provide attractive signals for foreign direct investors.

ITC seeks the partnership of Trade and Investment Support Institutions. Collected data will be:

- Shared by ITC with the partner institution;
- Adapted to national and/or local needs;
- Collected in such a way as to ensure firm anonymity;
- Made publicly available via the ITC flagship publication, the *SME Competitiveness Outlook*.

Analytical exploitation of the data:

- Will be performed by national researchers, in collaboration with ITC;
- Will result in creation of country briefs published by ITC.

FOR MORE INFORMATION

About the SME Competitiveness Survey

www.intracen.org/SMEBenchmarking/

About the SME Competitiveness Outlook

www.intracen.org/SMEOutlook/
