



International
Trade
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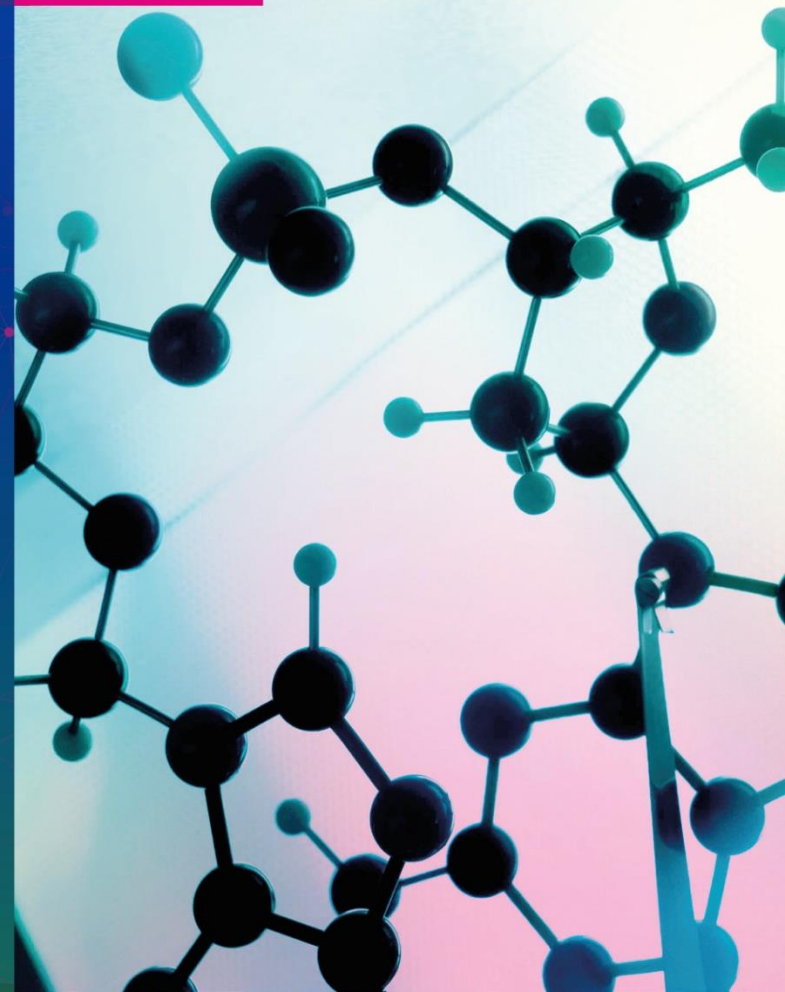
TRADE IMPACT
FOR GOOD

SME COMPETITIVENESS OUTLOOK

2015

Connect, compete and change for inclusive growth

Marion Jansen, Chief Economist, ITC
Geneva, 14 October 2015



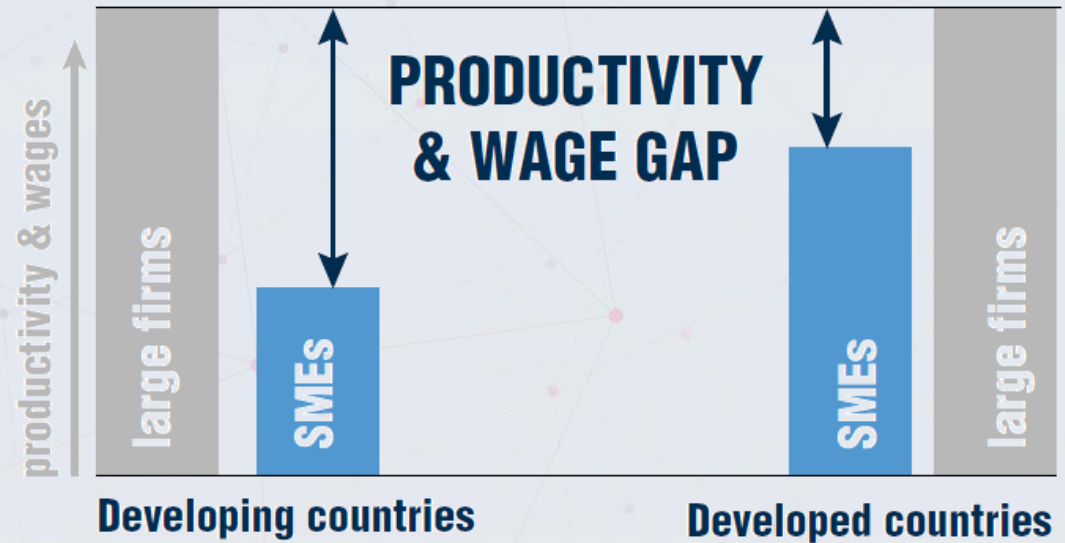
The background features a complex network of interconnected spheres and lines, resembling a molecular or network structure. The spheres are in various shades of blue, teal, and purple. A solid purple horizontal band runs across the middle of the image, serving as a backdrop for the title text.

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



SMEs represent
95% of **FIRMS**
in the world

& nearly **70%**
of **EMPLOYMENT**
in the world



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

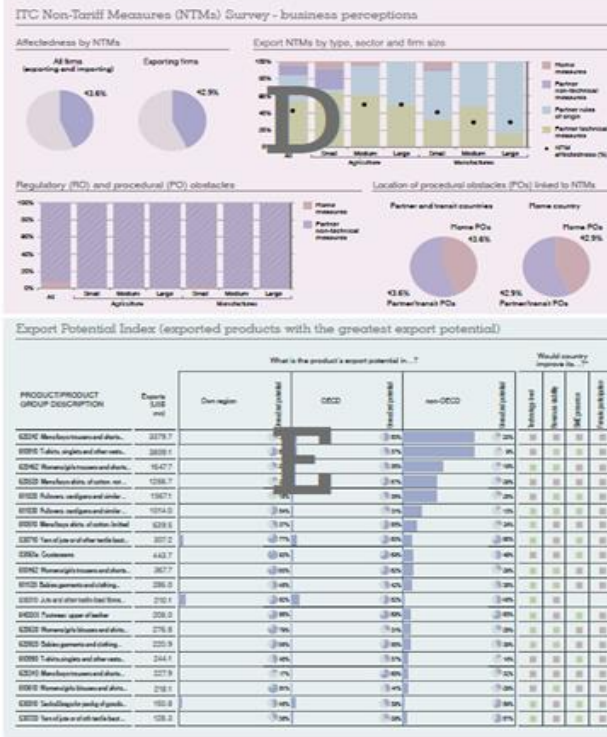
...and complements it

- 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

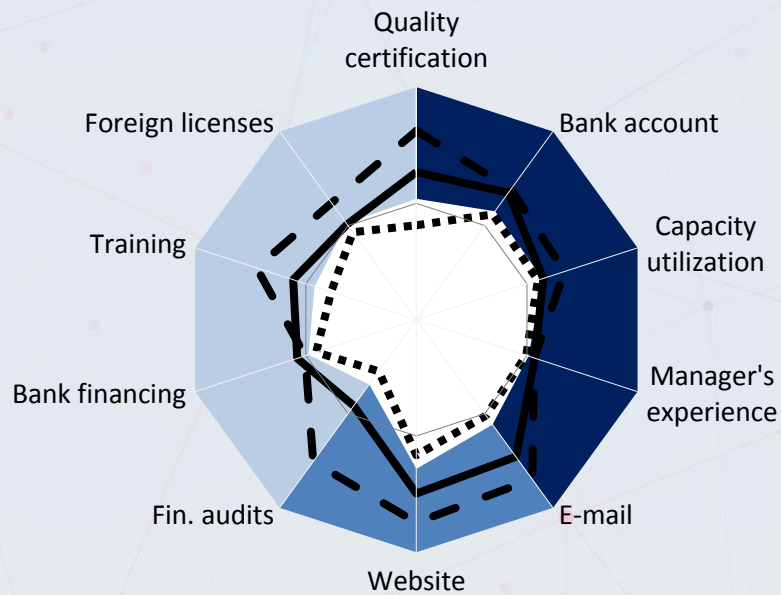
Pillars of competitiveness

Layers of competitiveness	Capacity to compete	Capacity to connect	Capacity to change
Firm level capabilities			
Immediate business environment			
National environment			



Identify which factors damp SME competitiveness most

Developed countries



Least developed countries (LDCs)



■ Compete
■ Connect
■ Change
All
▤ Small
▣ Medium
▢ Large
□ Reference level

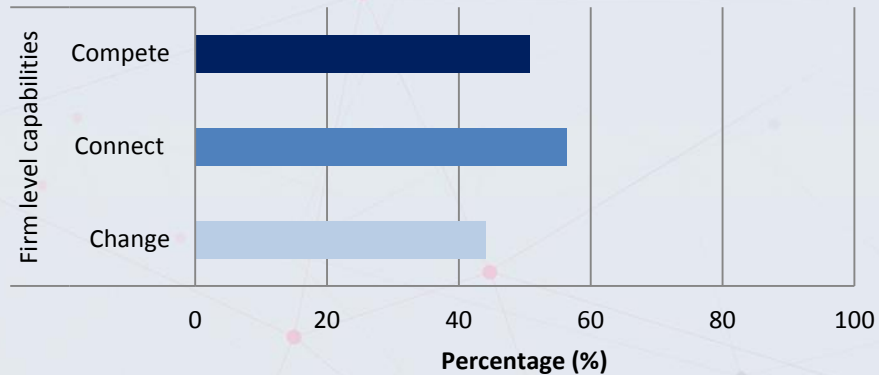
Source: ITC calculations from World Bank Enterprise Survey dataset.



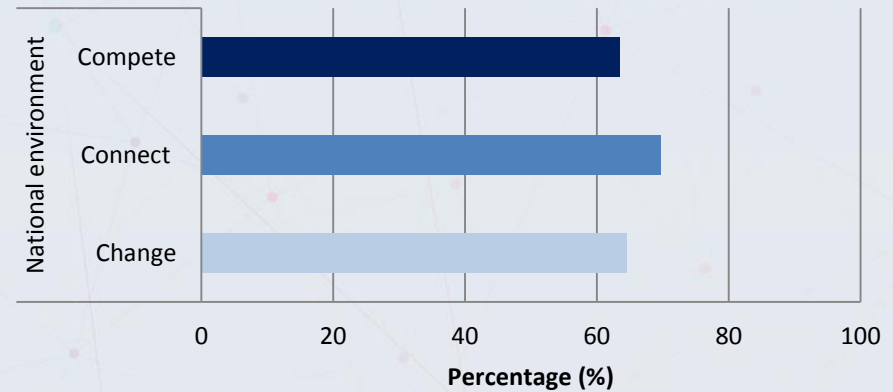
**In LDCs, the largest performance gap
between small and large firms
is in connectivity**

Identify in which layers strengths and weaknesses lie

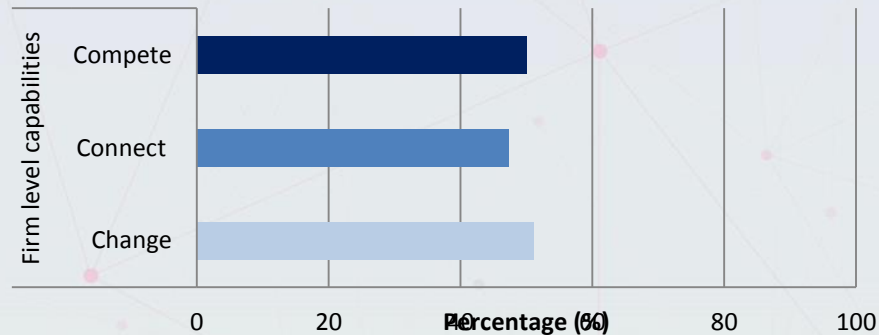
Europe & Central Asia



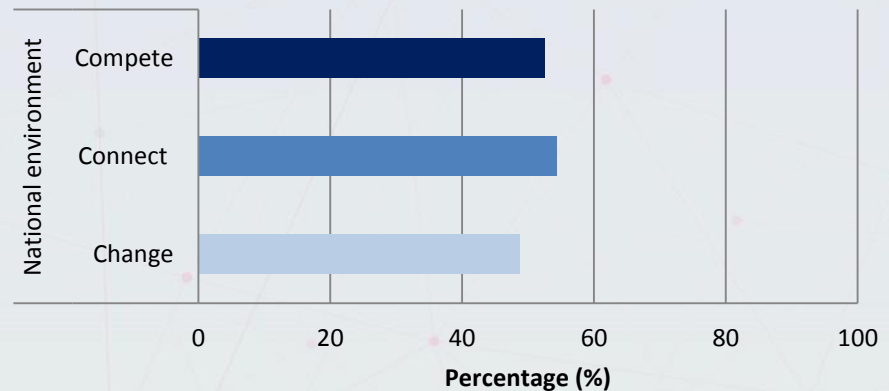
Europe & Central Asia



Latin America & the Caribbean

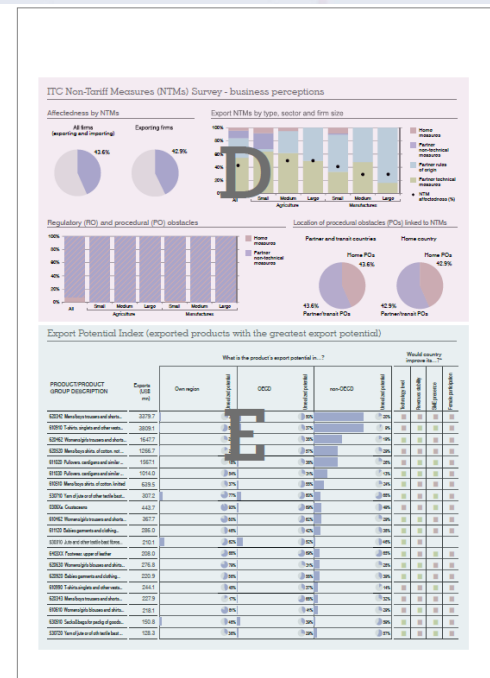
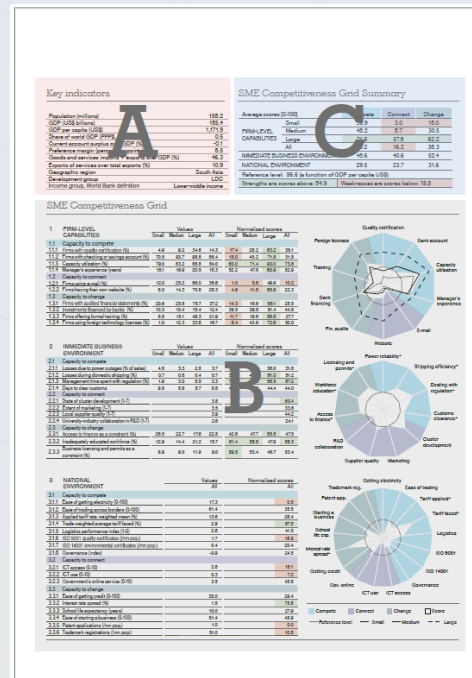


Latin America & the Caribbean



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/

