Foreword

Small and medium-sized enterprises (SMEs) and entrepreneurship are essential drivers of economic and social well-being. Representing 99% of all businesses, generating about 60% of employment and totalling between 50% and 60% of value added in the OECD area, SMEs are key for delivering sustainable and inclusive economic growth. They are instrumental to ensure that our economies and societies adapt to major transformations, such as digitalisation, globalisation, ageing and environmental pressures.

In this context, it is more critical than ever to have a better understanding of the conditions that enable countries, regions and cities to capitalise on their many small businesses. However, while SMEs and entrepreneurship are high on the policy agenda in many countries, the lack of robust and comparable evidence has often limited a more effective policy design and implementation.

Bringing together unique evidence, this first edition of the *OECD SME and Entrepreneurship Outlook* offers policymakers new benchmarking tools and insights on good policy practices to help frame national SME and entrepreneurship policies. Complementing the statistical publication *OECD Entrepreneurship at a Glance* and building on the 2017 report *Small, Medium, and Strong*, this new flagship publication presents recent and emerging trends in entrepreneurship and SME performance and provides a comprehensive overview of business conditions and policies that impact SMEs and entrepreneurs.

The *Outlook* reveals that the SME engine has begun to pick up again, with firm creation – an important driver of productivity growth and innovation – back to pre-crisis levels in many countries. SMEs have also been important drivers of creation during the last decade. However, there are also signs that the journey ahead may not be an easy one: significant productivity and wage gaps with larger firms persist, weighing on inclusiveness. Even in relatively large SMEs, wage levels are typically around 20% lower than in large firms, reflecting lower productivity levels. And while there has been significant job growth, most has been in activities with relatively low productivity and wage levels. Between 2010 and 2016, for example, close to 90% of the net new jobs in France, 75% in the United States, and 66% in Germany and the United Kingdom, were in low-wage sectors, which contributed to the observed stagnation in average wages and to widening inequalities.

Not all SMEs are the same, however, and this *Outlook* provides new insights on the heterogeneity of SME performance. Among the millions of SMEs around the world, there are many major innovation and productivity champions, especially in specialised services such as professional, scientific and technical activities, where size does not play such a key role. Indeed, SMEs, including micro-firms, can be as productive as, or even more than, large firms in these areas. For instance, between 2010 and 2016, SMEs operating in the information and communication technologies (ICT) sector increased their shares of employment and value added across nearly all OECD economies, despite concerns about market concentration and winner take-most dynamics.

Digital technologies are opening up new opportunities for young firms and SMEs to innovate and grow, including through digital business platforms, big data and Fintech.

Between 2016 and 2017, for example, online alternative financing saw double and triple digit growth in many countries, marking a turning point in the diversification of SME financing sources and instruments.

Yet, as the *Outlook* illustrates, to contribute to growth and job creation, and capitalise on the digital transition, SMEs are much more dependent on the business ecosystem and the policy environment than large companies. Many SMEs continue to face size-related barriers in accessing strategic resources, such as skills, finance and knowledge. In 2017, a quarter of SMEs in the EU reported a lack of skilled staff or experienced managers as their most important problem. The proportion of small firms providing ICT training to employees has not increased substantially in recent years, and remains low across OECD countries, ranging from 49% in New Zealand to 7% in Latvia in 2018. While there are clear benefits for SMEs in protecting data and mitigating cybersecurity threats, the associated costs are relatively higher for smaller enterprises.

These barriers are a symptom of imperfections in product, credit and labour markets. They also reflect the disproportionate impacts of regulatory complexities, administrative burdens and policy inefficiencies on small firms. Smart regulation, reforms in taxation and the strengthening of e-government functions have contributed to reduce the burden on SMEs and level the playing field. However, the pace of structural reforms has slowed in recent years, and progress is uneven in areas that are essential for business dynamism and a thriving SME population, such as insolvency regimes, enforcement of competition laws and civil justice systems.

In addition to a lower adoption of new technologies, SMEs are typically less engaged in internationalisation compared to large firms. This channel for productivity enhancement remains a challenge for small firms, notably in the context of recent trade tensions, which are likely to further hamper their opportunities to engage in trade networks and Global Value Chains.

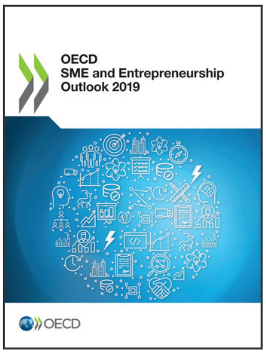
The scale of these challenges calls for innovative and multi-level policy solutions. The 2018 *OECD Declaration on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth* recognised the importance of getting SME policies right, for the benefits of globalisation, open markets and technological progress to be enhanced and shared more broadly across our economies and societies.

As this report shows, governments have been proactive in their efforts to level the playing field for SMEs and capitalise on emerging opportunities, making them a major target of public policy attention and support. The 36 country profiles of the *OECD SME and Entrepreneurship Outlook*, which complement the analysis of SME trends and business environment conditions, show that while governments often have common overarching strategies to accelerate SME development and innovation, a large variety of policy approaches is being implemented.

It is our hope that, by bringing together and comparing national experiences and outcomes, this publication will provide an instrument that can help governments identify policy levers to unleash the potential of SMEs and entrepreneurs and to build more resilient, sustainable and inclusive societies.

Angel Gurría

OECD Secretary-General



From:

OECD SME and Entrepreneurship Outlook 2019

Access the complete publication at:

https://doi.org/10.1787/34907e9c-en

Please cite this chapter as:

OECD (2019), "Foreword", in *OECD SME and Entrepreneurship Outlook 2019*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/75974c58-en

OECD