

Introduction to the SMEs Division of WIPO

Guriqbal Singh Jaiya

Director

**Small and Medium-Sized Enterprises Division
World Intellectual Property Organization**

National Needs and Concerns

§ Sustainable Economic Development

§ Job creation,

§ Economic Growth

§ Equity

§ **Competitiveness**: Sustainable increases in **productivity** leading to improvements in the **standards of living** for the **average person**;
(Process; Timing; Relative; Rapid Technical Change)

Vision

§ **“Prosperity For All”**

Poverty Eradication

Quality of Life

§ **Empowerment (Tool of IP)**

§ **Fish, Fishing, Better Fishing**

Challenges

- § **Increasing Competition (Empowering SMEs, including Micro-Enterprises and Self-Employed, to Compete)**
- § **Service Economy (Focus Shifted From Product to Service)**
- § **Digitization (ICT); New Business Models**
- § **Globalization; New Threats**
- § **Knowledge Economy (Innovation: New Ideas, Creative Expression)**

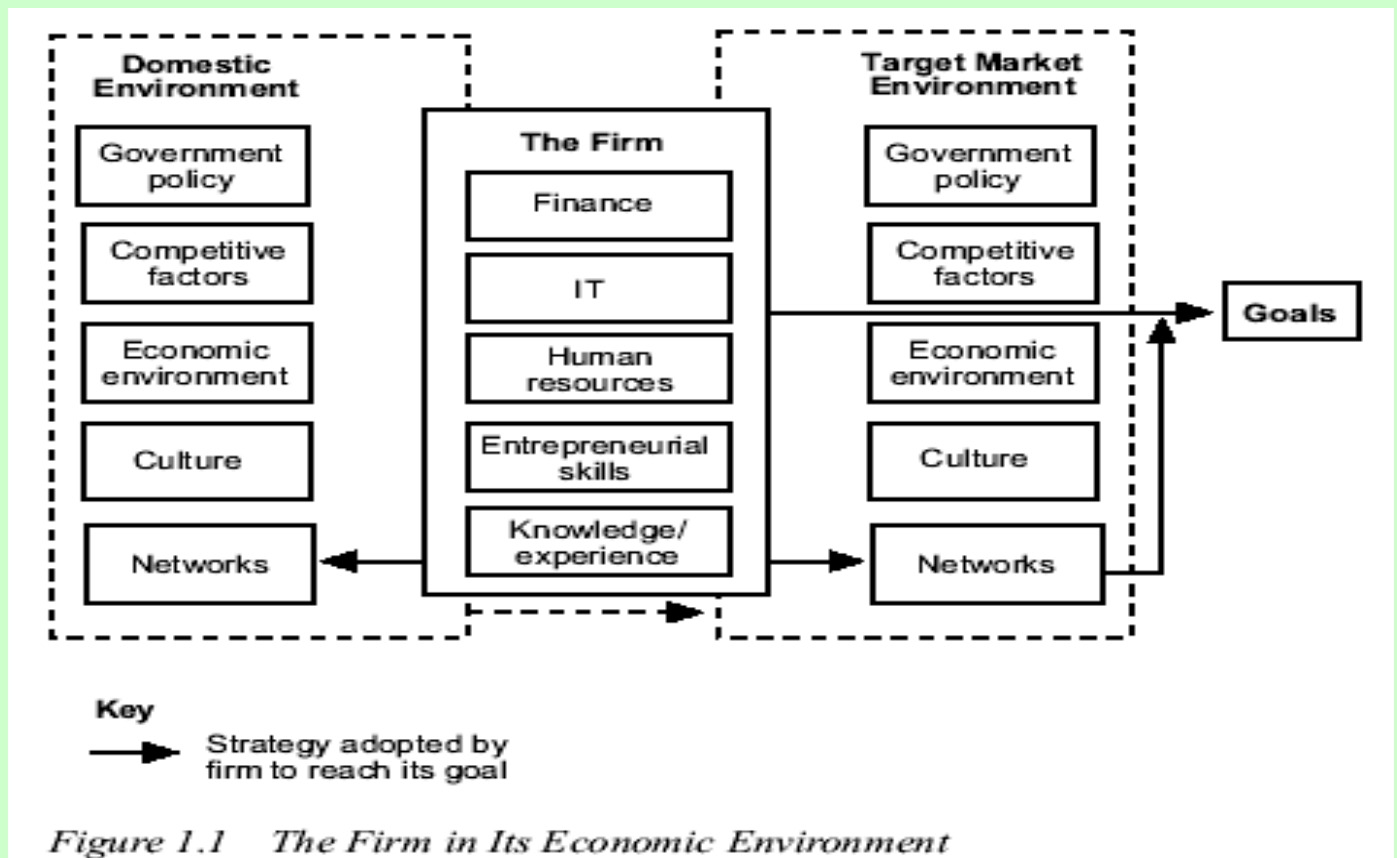
Alignment

Aligning Organizational and Individual Goals					
Vision	Skills	Incentives	Resources	Action Plan	Change
	Skills	Incentives	Resources	Action Plan	Confusion
Vision		Incentives	Resources	Action Plan	Anxiety
Vision	Skills		Resources	Action Plan	Slow change
Vision	Skills	Incentives		Action Plan	Frustration
Vision	Skills	Incentives	Resources		False starts

Role and Importance of SMEs

- § The economic engine of most countries for **building sustainable prosperity (Employment)**
- § Flexible, Responsive, Innovative, Imaginative
- § Transformation from standardized mass production to post-Fordist models of production
- § Service Economy
- § ICTs and E-Commerce: Globalization/Exports
- § Privatization of State-Owned Enterprises
- § Developing and Emerging Economies

Firm and Its Environment



What are SMEs?

- § No generally agreed or universally applicable definition of SMEs.**
- § Numerous factors, related to a given socio-economic environment, influence the definition of SMEs.**
- § Public Sector Vs Private Sector**
- § Independent Vs Franchisees**
- § Formal Vs informal**
- § Micro-enterprises**

What are SMEs?

Table 1: Definitions of SMMEs given in the National Small Business Act			
Enterprise Size	Number of employees	Annual turnover	Gross assets, excluding fixed property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million, depending upon industry	Less than R2 million to R18 million, depending on industry
Small	Fewer than 50	Less than R2 million to R25 million, depending on industry	Less than R2 million to R4,5 million, depending on industry
Very small	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than R150 000 to R500 000, depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

What are SMEs?

Governments are using thresholds of from 10 (the Netherlands) to 500 (the US) to define the category of ‘small business’, but in some senses, it does not matter much because more than 80% or so of all firms in each country have less than 10 employees.

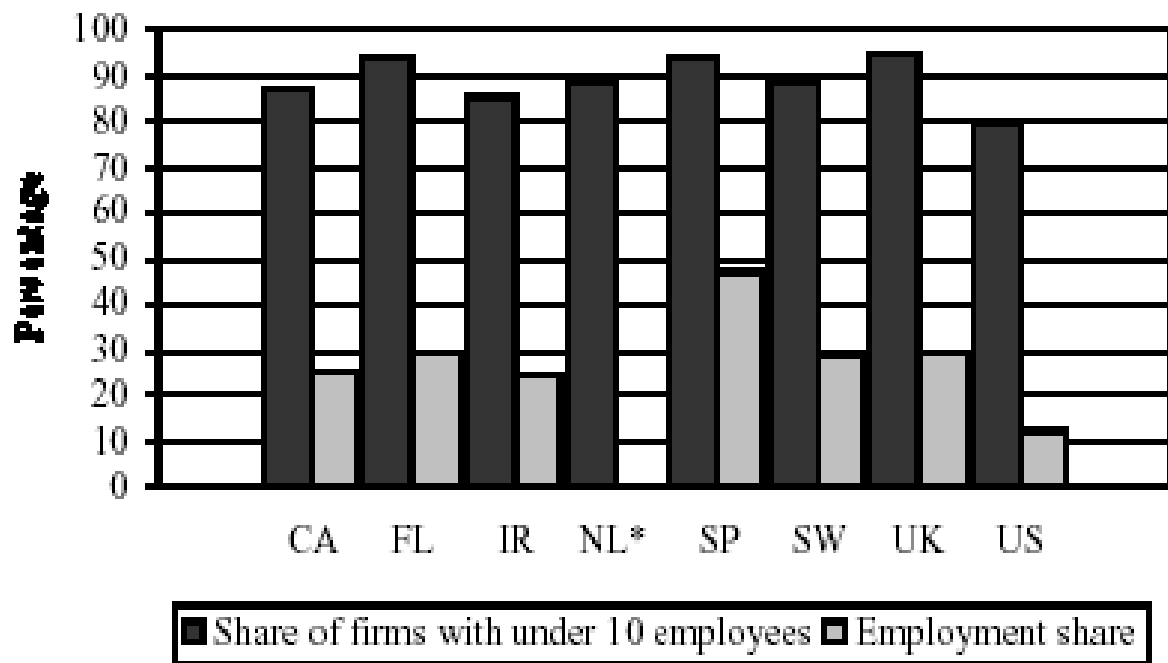
What are SMEs?

- § About 80% of all firms in most countries have less than 10 employees: Ranges from 95% in UK, 94% in Spain and Finland, 79% in US.
- § SME employment shares in under-10 employee firm-size category vary considerably across countries. Irish firms with less than 10 employees account for 85% of businesses, but less than 25% of employment, whereas Spanish firms accounts for 94% of firms and almost 50% of employment.

Employment Share

§ In the US, under 10-employee firms make up almost 80% of firms, but employ only 12% of the private sector workforce.

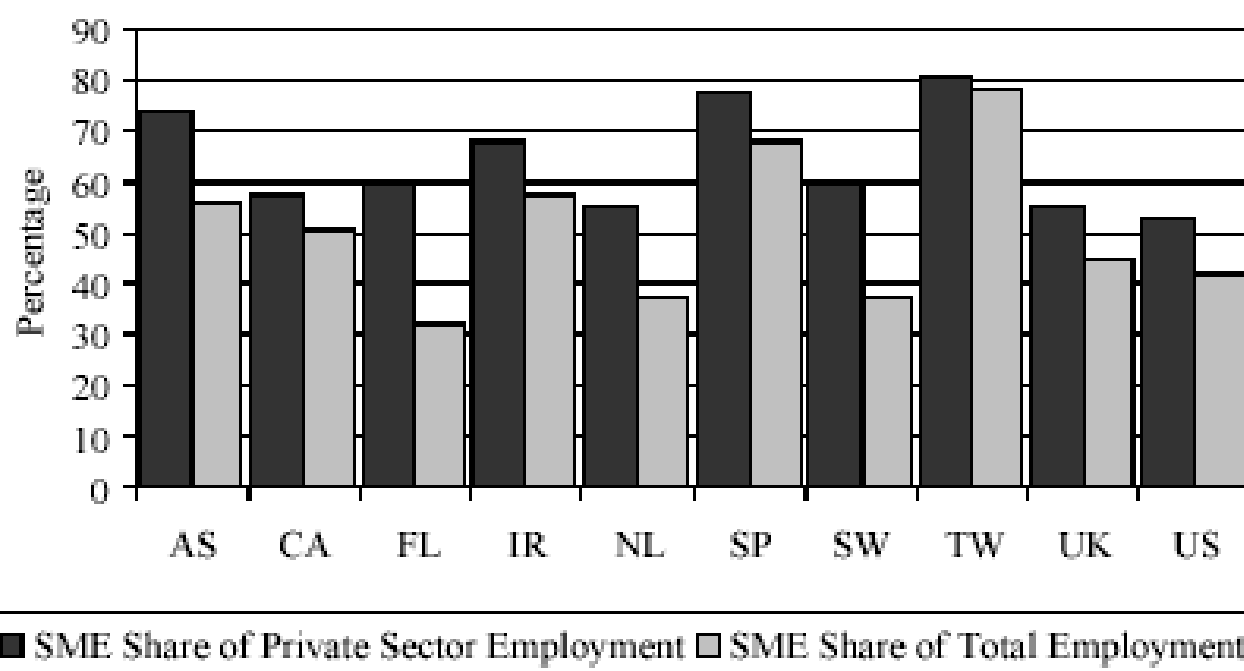
Employment Share



Employment Share of Public Sector

§30% of total employment in Finland, the Netherlands, and Sweden is in the public sector, compared to less than 20% in the US, Taiwan, Australia and Ireland.

Chart 8: SME Share of Private Sector Employment and of the Labour Force



Source: Individual country statistics.

In which sectors are SMEs found?

- § A higher percentage of SMEs tends to be in the Services and Construction sectors, as well as in Primary Industries.**
- § The majority of new firms and of employment growth are in the Services sector.**

Job Creation and Loss Statistics

- § SMEs have been generating new jobs at a faster rate than large firms; the smaller the firm-size, the higher the employment creation rates.**
- § Small firms have been creating jobs at a faster rate than they have been losing them and thus have been major contributors to overall employment growth (Australia, Canada, Finland, the Netherlands, the UK).**

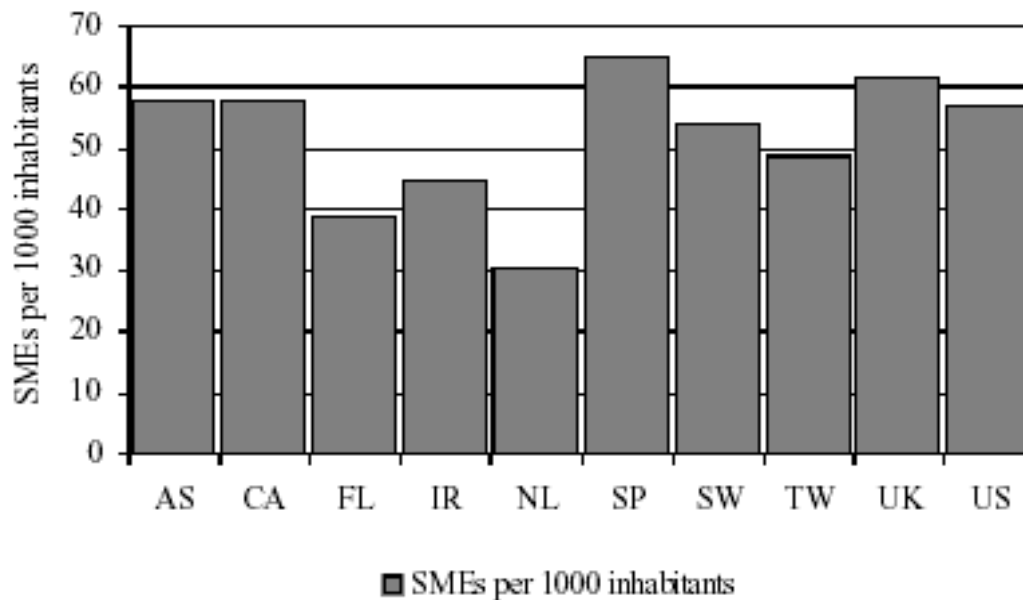
Job Creation and Loss Statistics

§ New firms important to both gross and net job creation (USA, UK, Canada, Australia, Netherlands, and Finland). New firms responsible for a third of gross new jobs in UK (1995-99 period), 45% of gross new jobs in Australia (1997-98), and a third of gross new jobs in USA (1995-96). Half of gross job gain in Netherlands from 1992-97 from new, young firms less than five years of age.

Job Creation and Loss Statistics

§ In Canada, 75% of net employment gains from 1990-97 came from new self-employment, three-quarters of which was attributable to the increase in self-employed persons with no employees.

SME Density/Intensity



Source: Individual country reports, based on 1999 population figures and country statistics on the number of SMEs.

SME Density/Intensity

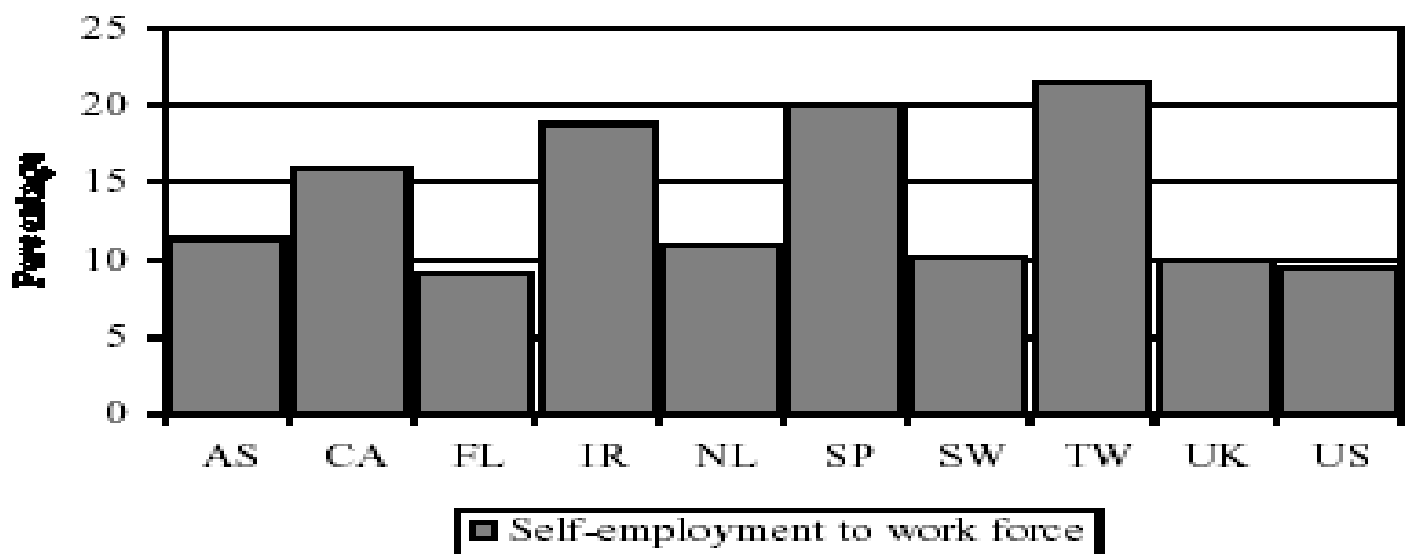
SME Intensity in Selected APEC Economies

Economy	Population (million)	SMEs (‘000)	SMEs per 1000 people	People per SME
USA	260	14 800	56.9	17.6
Japan	122	6 500	53.3	18.7
Australia	17	840	49.4	20.2
Taiwan	20	743	37.1	26.9
Singapore	3	69	23.0	43.5
Thailand	58	102	1.7	568.0
Indonesia	189	105	0.6	1 800.0

Source: Hall (1995)

Why is Entrepreneurship Important?

Chart 10: Self-employment as a percentage of the work force



Source: Individual country statistics. Includes total self-employed.

Why is Entrepreneurship Important?

§ Linking Entrepreneurship and Innovation

§ From Entrepreneur to Intrapreneur in SMEs

Are SMEs active in Global Markets?

Divide SMEs into three main groups:

- § SMEs which are internationally competitive, or able to become internationally competitive (25% of manufacturing SMEs)
- § SMEs less likely to be able to adapt and thus at risk (20% to 30%)
- § SMEs which are insulated from the effects of globalization (Rest; < 20% in next ten years)

Are SMEs active in Global Markets?

Structural Contribution of SMEs to Exports

	GDP US\$ millions	Exports as per cent of GDP	Share of SMEs in total exports (%)
Selected OECD economies			
Denmark	121 695	27	M ~46
Finland	121 982	19	M 23
France	1 167 749	18	M 26
Greece	65 504	12	19
Italy	1 072 198	15	53
Japan	3 337 191	12	13.5
Netherlands	278 839	47	26
Sweden	280 000	25	30
<i>Weighted contribution (%)</i>		<i>4.3</i>	<i>26.1</i>
East Asian economies			
PR China	435 000	21	40–60
Korea	285 000	27	40
Indonesia	128 000	23	10.6
Taiwan	210 000	44	56
Thailand	108 000	29	10
Malaysia	60 000	72	15
Singapore	46 000	138	16
Vietnam	14 000	7	20
<i>Weighted contribution (%)</i>		<i>11.7</i>	<i>35.2</i>

Source: SME export contribution – OECD Country studies.

Exports as per cent of GDP – UN Country Statistics.

Note: ~ indicates estimate only; M = manufacturing only. Exports are direct exports by SMEs. This understates the true contribution of SMEs to exports.

Objective

- § **Strengthen the capacity of governmental, private and civil society institutions worldwide to formulate and implement policies and strategies for meeting the IP needs and concerns of SMEs.**
- § **Are SMEs able to identify their own IP needs clearly enough to seek the best remedies?**
- § **Are the remedies available, accessible, affordable, suitable to the needs of SMEs?**

Sub-Objectives

- § Improving the policy framework and business environment to make it conducive and easier for SMEs to use the IP system.
- § Improving competitiveness of SMEs by enabling SMEs to fully exploit their innovative and creative potential through an effective use of the IP system.

Two Broad Categories of Policy Approaches to Promoting SMEs (1)

- § **Market forces**; substantial leveling of the playing field; remove policy distortions in pricing, credit provision and a variety of non-market mechanisms that favor large-scale enterprises.
- § **‘Structuralist’ approach**; Proactive forms of intervention; infant-industry argument underlies this.

Two Broad Categories of Policy Approaches to Promoting SMEs (2)

- § Both approaches agree on the importance of an appropriate macro environment for SME development.**
- § In practice, the promotion of SMEs may well require a creative synthesis of these two seemingly competing policy approaches.**

Detailed Objectives

- **Stimulating research into the theory and practice of the role of IP in fostering entrepreneurship and SME development.**
- **Advocating the role of IP in the formation and growth of SMEs as a mechanism for economic growth and development.**
- **Facilitating the creation and exchange of knowledge, experience and best practices in using the IP system for the formation and development of SMEs.**
- **Co-operating with the various governmental and private sector organizations dedicated to entrepreneurship and SME development.**

Detailed Objectives

- Improving the management of IP assets, techniques and skills of entrepreneurs and SMEs worldwide.
- Publishing the best papers that add to the global knowledge and understanding of IP in SME development.
- Organizing International Conferences for the dissemination of research, experience and best practice in the use of the IP system by entrepreneurs and SMEs.
- Co-operating with the various governmental and private sector organizations dedicated to SME development.

Strategies (1)

- § **Partnerships**
- § **Demystification**
- § **New Audience**
- § **New Areas**
- § **Proactive**
- § **E-Services**

Strategies (2)

- § **Macro Environment:** An environment that supports the development and diffusion of new technologies for and by SMEs to take advantage of the knowledge-based economy
- § Ensuring the **cost-effectiveness** of SME policies and their **consistency** with other national policies, as well as with existing international programs

Strategies (3)

- § Strengthening **public-private partnerships** and political and social dialogue involving territorial and institutional actors as a tool for exchange of information, utilization of knowledge and elaboration of policy.
- § Foster an **innovative and entrepreneurial culture**, including **continuous training** and **lifelong learning**.

Strategies (4)

SMEs' ability to manage innovation be improved by:

- § facilitating the hiring and training of qualified personnel;**
- § diffusing an innovation culture;**
- § disseminating technological and market information and providing related assistance (e.g. through improvements in relevant labor market mechanisms, and linkages between enterprises and education systems, and between industry and public and university research).**

Strategies (5)

Financial barriers to innovation in SMEs be reduced by:

- § i) facilitating the development of market mechanisms for equity financing, and related services, especially for innovative start-ups;**
- § ii) promoting risk-sharing programs and measures, including financial support and tax incentives to R&D and innovation; and iii) supporting initiatives which facilitate "partnerships for innovation" between entrepreneurs, public agencies and financiers.**

Strategies (6)

Table 1 Motive For Starting a Business

Response alternatives	Valid responses		Dimension*
	Frequency	Per cent	
To realize my ideas	1451	24,6	Need for Personal Development
Unemployment or risk thereof	1405	23,8	Need for Escape
To work independently	1400	23,8	Need for Independence
To make money	934	15,8	Perceived Instrumentality of Wealth
Needed on the market	366	6,2	?
Other (open ended)	338	5,7	–
<i>Total</i>	<i>5894</i>	<i>100,0</i>	

*) Item corresponding to this dimension as proposed in Scheinberg & MacMillan (1988)

Strategies (7)

- § **High Growth SMEs**
- § **High Technology SMEs**
- § **Clusters (Embryonic or Existing)**
- § **Export Oriented SMEs**
- § **SMEs Focussed on Quality; Productivity**
- § **SMEs Owned by Women; Youth; Indigenous Peoples**
- § **Public-Private Partnerships**
- § **E-Commerce**
- § **Networks of and for SMEs**
- § **New Institutional Forms (Incubators)**

PARTNERSHIPS

§ Internal (WIPO)

§ External

- » IGOs**

- » Government**

- » Private Sector**

- » Civil Society (NGOs)**

Audience and Partners

1

- § **SME Policy-makers** - Government SME Officials at international, national, regional and local levels, etc.
- § **SME Support Institutions** - Small Business Centers, Enterprise Agencies, Trade Associations, Chambers, etc
- § **SME Financiers** - in Clearing Banks, Micro-Finance, Loan Schemes, Investment Funds, Aid Agencies, etc.

Audience and Partners 2

- § **SME Educators** - at Universities, Colleges, Business Schools, Junior Schools, Training Centers, etc.
- § **SME Researchers** - at Universities, Business Research Centers, Economic Development Centers, etc.
- § **SME Practitioners** - Advisers, Consultants, Counselors, Incubators, Mentors, Publishers, Trainers, etc.

- # **DEMYSTIFICATION**
- § Studies**
 - § Events and Expert Missions**
 - § Web Site**
 - § CD-ROM**
 - § Magazine Articles**
 - § Guides**
 - § Brochure**
 - § Newsletter**

WIPO Guides on IP for SMEs

§ Trademarks

§ Licensing IP

§ Industrial Designs

§ Patents

§ Trade Secrets

§ E-commerce

§ Copyright

NEW AUDIENCE

§ Bringing IP Issues to SME Events

§ Bringing Business Perspective to IP Events

§ New Networks and Partnership

(IGOs, SME Focal Points, SME Support Institutions, Chambers of Commerce and Industry, SME Associations, SME Research Institutions, and Civil Society, Private Sector Institutions, Universities, Small Business Advisors/Consultants, etc)

NEW AREAS

- § IP for financing (venture capital, securitization)
- § Accounting and valuation of IP assets; IP audit
- § Fiscal policies and IP (e.g. tax incentives for R&D activities, patenting, licensing, etc.)
- § IP services to SMEs by incubators, technology parks, chambers of commerce and SME associations
- § Copyright and SMEs in the cultural industries (MERCOSUR and Arab regional study on cultural industries; Caribbean Music Industry Project)
- § IP needs of SMEs in biotechnology, agriculture, handicrafts, software
- § IP Insurance

Incubators and Science Parks

- § Incubators provide individuals or small enterprises the support of space, equipment, technology, professional manpower, business services, and information. Incubators facilitate development of new products and new technology to establish a new business and conduct enterprise transformation and upgrades.
- § Incubator centers have the potential to be an important platform for cross-industry collaboration within the innovation system

PROACTIVE

§Original Content Creation

§Surfing the Web

§Links

§Best Practices

§Case Studies

E-SERVICES

- § Web Site Content**
- § SME-Mail**
- § E-Mail Newsletter**
- § Distance Learning (Proposed)**
- § Discussion Forum (Proposed)**

EXTERNAL PARTNERS

§ UNCTAD

§ UNECA

§ UNECE

§ UNESCWA

§ UNIDO

§ UNESCO

§ IP Offices

§ SME Focal Points

§ WASME

§ ILO

§ ITC

§ APCTT

IP Offices

§ **Studies: Norway**

§ **NFAPs (Mongolia, Philippines)**

- **Baseline Study**
- **Customized Materials**
- **Customized Web Site**
- **Events**