



Stimulate growth of innovative SMEs and start-ups

Based on the estimates, small and medium-sized enterprises (SMEs) and start-ups are more frequent innovators and are deeply integrated into innovation systems. Moreover, on average, small, young and women-owned companies create a greater number of innovative jobs¹. Such firms have a greater ability to respond to new business opportunities and are more likely to introduce novel, knowledge-intensive activities. As a result, they shape the dynamism and innovativeness/competitiveness of the economy. Meanwhile, start-ups and SMEs face many challenges for doing business, such as access to finance, low attractiveness of skilled labour due to lower wages than in large organisations, lack of information and engaged in business networks². Hence, policymakers should develop targeted support instruments to support them.

Popularize the entrepreneurial culture

Encouraging and appraising the achievements of innovative SMEs, start-ups and entrepreneurs will not only help to popularize the entrepreneurial culture but also foster their growth. There are multiple instruments that can be introduced to stimulate entrepreneurial culture within organisations and communities³. These include sharing of inspiring success stories of entrepreneurs, supporting generation and realisation of ideas and of new projects/initiatives at education/training institutions and at workplace, promoting horizontal work culture by making employees feel like partners, providing resources/instruments that stimulate entrepreneurship etc. The latter includes a variety of instruments, including those that decrease business costs (e.g., allowing sharing of resources, lower taxes), allow room for failure, facilitate access to needed resources.

Strengthen entrepreneurial ecosystems and inclusion of SMEs/start-ups in them

Access to knowledge, talent, finance and infrastructure is critical for the growth of innovative SMEs and start-ups. Among the most effective methods to facilitate this is by strengthening entrepreneurial ecosystems at national and local levels, including by developing clusters, networks and linkages along supply chains, between SMEs/start-ups and with large firms,

¹ Moncada-Paternò-Castello. (2013). Innovation and Job Creation. A Sustainable Relation? ResearchGate. <https://doi.org/10.2791/76791>

² OECD. (n.d.). Small businesses, job creation and growth: Facts, obstacles and best practices. Retrieved December 21, 2022, from <https://www.oecd.org/cfe/smes/2090740.pdf>

³ Gerber, S. (n.d.). 12 ways to foster a more entrepreneurial culture. business.com. Retrieved December 21, 2022, from <https://www.business.com/articles/12-ways-foster-entrepreneurial-culture/>



Technopolis - Tatjana Guznajeva, Juanita Garcia Gutierrez, Anastasiia Konstantynova, Olaf Kooijmans

within and across sectors⁴. Such entrepreneurial ecosystems can enhance accessibility to shared resources, reducing costs and stimulating further business collaboration. The strengthening of entrepreneurial ecosystems is dependent on effective alignment of motivation and common purpose among its members, on availability of support institutions/mechanisms (e.g., business accelerators, financial organisations, research organisations, technology centres) that stimulate collaboration, and on the business climate and engagement with policymakers. Some SMEs and start-ups struggle to successfully integrate into the entrepreneurial ecosystems, due to perception/bias of their low value for the ecosystem and due to limited resources for participation in joint activities. To support inclusion of SMEs and start-ups, policymakers can either provide incentives to the ecosystem, offer public support to the ecosystem on condition of inclusion of new economic actors, or provide resources that facilitate integration of SMEs and start-ups in ecosystems.

Increase attractiveness and retention of talent

Among the key challenges that SMEs and start-up face is the ability to attract and retain highly skilled labour. This is attributed to lower wages and, at times, poorer working/employment conditions than in large organisations. To increase attractiveness of SMEs and start-up as places of work, policymakers can, for example, offer wage subsidies that top-up wages, provide vouchers for training of employees, launch initiatives that offer favourable conditions to highly skilled migrants (e.g., lower taxes at SMEs and start-ups)⁵. Besides that, the government can promote innovative SMEs and start-up, thereby making them prestigious places of employment, and advise companies how to make themselves more appealing and fulfilling for highly skilled employees. For example, the companies could offer free lunches, organize and finance social activities (visiting museums, team building, sport activities etc.), offer compensation leaves for employees, launch recognition and rewards programmes, stimulate professional development of employees, providing gift and bonuses.

Provide access to finance

The financial viability of innovative SMEs and start-ups is typically questioned by private investors. Hence, they face limitations in access to finance have more rigid loan/credit conditions (e.g., higher interest rates). Therefore, policymakers should offer a combination of targeted financial instruments for SMEs and start-ups that is expected to fulfil their needs. Among such instruments are listed loans, tax reductions, grants. Such instruments could be linked to specific conditions to ensure innovative and inclusive job creation effect. To increase the chances of SMEs and start-ups in accessing funding from private investors it is suggested

⁴ OECD. (2022). OECD recommendation on SME and entrepreneurship policy. OECD. Retrieved December 21, 2022, from <https://www.oecd.org/cfe/smes/oecdrecommendationsmeandentrepreneurshipolicy/>

⁵ Wong, K. (2022, November 22). 10 employee incentive programs to engage your team. Achievers. Retrieved December 21, 2022, from <https://www.achievers.com/blog/employee-incentive-programs/>



to connect them to the business support organisations that can help them improve their business pitch, arrange matchmaking with business angels and venture capitalists that potentially could be interested in financing their business.

Ensure effectiveness of public procurement

Public procurement represents one of the methods of support for innovative SMEs/start-ups that also serves as a public good for the society. Public procurement can either increase the demand of products/services of SMEs/start-ups, reduce costs or provide needed resources. However, public procurement should be used in a limited way to avoid market distortion that is affecting competition, increases inflation etc. To ensure effectiveness of public procurement, policymakers should carefully analyse the challenges of innovative SMEs/start-ups, consider if public procurement could effectively resolve some of these challenges without hurting other economic actors and creating benefits for the society. Following that, policymakers should co-design initiatives with the stakeholders (e.g., SMEs/start-ups, academic actors, industry representatives) and ensure that the application procedures are clear and not burdensome for innovative SMEs/start-ups. At the end of interventions, an independent evaluation of the effectiveness/efficiency of such interventions need to be conducted.

Besides the above-listed points, it is essential to ensure that innovative SMEs and start-ups receive support for the formulation/revision of a short/medium-term and long-term business strategy. Moreover, the managers of new economic actors should receive additional support in training of managerial skills. Both of the above could be delivered through mentorship programmes, peer-to-peer learning, and strategy workshops for SMEs and start-ups. Overall, policymakers need to ensure comprehensiveness of support to SMEs and start-ups and a place-based approach, as business/ecosystem conditions and mechanisms of support vary per region/area.

Consider the following PILLARS and external resources to stimulate growth of innovative SMEs and start-ups:

Title and weblink	Authors and year	Description
Public Policy to Promote Entrepreneurship: A Call to Arms	Zoltan Acs, Thomas Åstebro and David Audretsch & David T. Robinson, 2016	Existing evidence questions the efficacy of public policies promoting entrepreneurship. Instead of addressing market failures, most Western initiatives tend to support aspiring entrepreneurs, resulting in small-scale, stagnant businesses. Valuable entrepreneurship support might not resemble traditional policies; healthcare reforms, enhanced STEM education, and labour market changes can better foster innovative enterprises.
The Better Entrepreneurship Policy Tool	European Commission and OECD, 2019	The European Commission and the Organisation for Economic Co-operation and Development (OECD) have introduced an enhanced entrepreneurship policy tool, which is presently accessible in all 24 official languages of



		<p>the EU. This tool offers policymakers and stakeholders a concise survey to evaluate their policy ecosystem. The survey results offer bespoke guidance, directing them towards valuable resources, such as international best practices.</p>
<p><u>Strengthening Entrepreneurial Ecosystems: An Interactive Guide For Development Professionals</u></p>	GIZ	<p>This interactive guide provides development professionals with the necessary theoretical foundation, concepts, approaches, and practical tools to enhance entrepreneurial ecosystems in developing countries. It is intended for use as a reference after professionals have finished their analytical 'mapping' of the entrepreneurial landscape. Supported by examples from GIZ and other programmes, the guide aims to offer a deep understanding of how professionals tackle various challenges across different regions and contexts. As there are numerous sources of information on strengthening entrepreneurial ecosystems, each section of the document includes links to many of these useful sources and opportunities for personal involvement.</p>
<p><u>Entrepreneurial Ecosystem Diagnostic Toolkit</u></p>	Aspen Institute, 2013	<p>The initial step towards promoting entrepreneurship involves mapping and assessing the existing entrepreneurial ecosystem. This analysis helps identify potential challenges and opportunities that can be addressed through specific interventions. To aid in this mapping process, the Aspen Network of Development Entrepreneurs (ANDE), supported by the UK Department for International Development (DFID), has created a toolkit. It offers methodological guidance for evaluating the current state of entrepreneurial ecosystems and provides a range of resources and tools for use by development practitioners. Although not exhaustive, this toolkit aims to serve as a groundwork for other organisations to develop further.</p>
<p><u>Riding The Waves: Adjusting Job Retention Schemes Through The COVID-19 Crisis</u></p>	OECD, 2022	<p>This report tracks the use of job retention (JR) schemes during the COVID-19 crisis until the end of 2021 across OECD countries. It outlines how governments adjusted these schemes as the crisis progressed. Key points include a significant drop in JR support from 20% of employment in April/May 2020 to 1.3% by November/December 2021. Countries employed different strategies in adapting temporary JR provisions, some phasing them out, others providing targeted aid, while a few maintained temporary measures. The schemes evolved to support jobs in severely affected yet viable firms. Most countries now require firms to co-finance idle hours, a shift from exempting them at the crisis's onset.</p>