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SMEs and national economic development

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Reddal Client Director, Dr. Per Stenius, was invited to speak about the impact of SMEs on national economic development at the APEC Public-Private Dialogue "Capitalize on Research and Development" 2020 in Malaysia.

APEC PPSTI (Asia-Pacific Economic Cooperation Policy Partnership on Science, Technology and Innovation) Public-Private Dialogue "Capitalize on Research and Development" was held on February 12, 2020, in Kuala Lumpur, Malaysia. The event was part of APEC Summit 2020, and the session hosted by the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), Malaysia. Our presentation "SMEs and national economic development – seeing the big picture and what happens within", builds on our earlier presentation called "Policy ecosystem for strengthening innovation capacities" held at a conference organized by APCTT UN-ESCAP in November, 2019.

In this new presentation we re-examined the economic growth of Finland, South Korea, China and Vietnam, showing how growth rates of the past are increasingly hard to achieve for nations now striving to join the community of developed nations. We explained this by analyzing the underlying drivers of GDP growth, and how these are changing. The national policies, both past and present, for South Korea and Vietnam were analyzed in more detail, and commentary on more recent policies were presented.

To understand the role of the SMEs and their R&D in terms of national economic development, a general framework for SME development was presented and applied to a number of cases. The findings indicated that applying a systematic new market expansion strategy (rather than an opportunistic sales approach) combined with own R&D, product development and brand building were key factors for success. In some cases funding came from joint projects with local government, in others from technology breakthroughs in the market leading to rapid growth of a new product line, and in yet others from venture capital.

The presentation noted that at least in the case of South Korea and Vietnam, while government has been actively involved in developing their policies to support national economic growth, in both cases the policies have been somewhat “spot” focused, rather than taking a holistic view on the entire development cycle of a company from its foundation through to its emergence as an internationally competitive player. Often the policies have resulted in direct (and rather inefficient) funding of certain parts of the ecosystem, rather than improving the overall ecosystem itself. More recently, a more holistic approach seems to be emerging, but it is too early to estimate the impact of these changes. Nevertheless, we hope that this presentation helps both the private and public sector in devising successful approaches for future growth.