

Strategic importance of SMEs

Parallel with ownership reform and privatization, the number of SMEs is increasing. The strategic importance of SMEs is today acknowledged around the world for the following reasons:

- small and medium-sized enterprises are contributing to employment growth at a higher rate than larger firms. In the EU economy about 99.9 per cent of the enterprises are SMEs of which 93 per cent are micro enterprises. In 1992, there were 15.7 million SMEs in the private non-primary (i.e. non-farming) sector of the Community;
- the private sector and in particular SMEs form the backbone of a market economy and for the transition economies in the long-term might provide most of the employment (as is the case in the EU countries). A World Bank sector policy paper shows that their labour intensity is from 4-10 times higher for small enterprises;
- support for SMEs will help the restructuring of large enterprises by streamlining manufacturing complexes as units with no direct relation to the primary activity are sold off separately. And through this process the efficiency of the remaining enterprise might be increased as well;
- they curb the monopoly of the large enterprises and offer them complementary services and absorb the fluctuation of a modern economy;
- through inter-enterprise cooperation, they raise the level of skills with their flexible and innovative nature. Thus SMEs can generate important benefits in terms of creating a skilled industrial base and industries, and developing a well-prepared service sector capable of contributing to GDP through higher value-added;
- a characteristic of small industrial enterprises is that they produce predominantly for the domestic market, drawing in general on national resources;
- the structural shift from the former large state-owned enterprises to smaller and private SMEs will increase the number of owners, a group that represents greater responsibility and commitment than in the former centrally planned economies;
- an increased number of SMEs will bring more flexibility to society and the economy and might facilitate technological innovation, as well as provide significant opportunities for the development of new ideas and skills;
- SMEs use and develop predominantly domestic technologies and skills;
- new business development is a key factor for the success of regional reconversion where conventional heavy industries will have to be phased out or be reconstructed (especially in the field of metallurgy, coalmining, heavy military equipment, etc.).

(<http://www.unece.org/indust/sme/ece-sme.htm>)