



MINISTRY OF BUSINESS, ENTERPRISE & COOPERATIVES
(Business and Enterprise Division)

Event : **MRC workshop – barriers to SME innovation**

Venue : **Cyber Tower 1 Conference Hall**

Date : **Monday 16th of October 2017 @ 9h30**

Hon. Yogida Sawmynaden, Minister of Technology, Communication and Innovation

Dr Arjun Suddhoo, Executive Director of the Mauritius Research Council

Heads of institutions

Members of Academia and of the private sector

Dear participants

We are all lucky to be present here today as I believe that this workshop is a ground-breaking event when it comes to the still unexplored equation between innovation and SMEs. The SME sector is the bedrock of any economy. SMEs are expected to impact increasingly on their countries' GDP, job creation and exports. In Mauritius, the SME sector has been clearly positioned as the future engine of our economic growth which will transform Mauritius into a forward looking and economically vibrant country.

However, the transformational capacity of our SMEs on the economy is currently hampered by several constraints which are translated through very eloquent figures: **47%** of our SMEs are operating at almost subsistence level and are mostly managed by own account workers. Their annual turnovers are **less than MUR 2 million** and they have **five or less employees**. Moreover, **only 7%** of SMEs employ more than 21 people and have turnovers of **more than MUR 10 million**.



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Mauritius ranks **45th out of 137** in the **2017-2018 Global Competitiveness Index** of the World Economic Forum, with the insufficient capacity to innovate identified on top of the list of the most problematic factors for businesses.

And therein lies the rub: INNOVATION. The **Fourth Industrial Revolution** characterised by a shift from simple digitization to innovation is inexorably knocking on the door of the business landscape and our SMEs are in fact today at the crossroads between 'business as usual' and developing new ways of doing business. And it is no secret that to seize opportunities presented by this newly crafted environment, our enterprises have no choice but to accelerate the pace of their business transformation through relentless innovation.

Some ten years back, globalisation would have been the most powerful lever for growth and every business would have been talking about China. But now, the growth lever that has the greatest impact is innovation. It is clearly **the X Factor** that will act as a source of competitiveness and economic diversification, hence reigniting growth and keeping our enterprises relevant in the global marketplace.

If we take the case of China itself, its economic history over the last few decades and its large proportion of state-owned enterprises mean that executives have typically not wanted to take too many risks. This has led to a strategy of 'fast-follower' imitation rather than innovation, where Chinese companies copy proven concepts from elsewhere in the world. There are signs that this mindset is however shifting, with a growing number of Chinese companies agreeing that innovation is a '**competitive necessity**'. As companies make this transition, they are being supported by the Chinese government, which has given companies a clear innovation mandate



**MINISTRY OF BUSINESS, ENTERPRISE & COOPERATIVES
(Business and Enterprise Division)**

and it is no wonder that China is today already spending more on R&D than any other country apart from the USA.

The importance of innovation can simply not be overstated; without it, businesses stall and the economy slows. The demand for new, better and improved products, services and processes from consumers is high, which is what makes today's business world so full of opportunities. Innovation is thus rightly moving up the agenda for businesses all over the world and it is quite telling that the fifth edition of the **Global Innovation Summit** which took place in 2016 was held against the backdrop of the growing emphasis on innovation and entrepreneurship as the strong positive association between innovation and SME growth is undeniable.

It is true that when we talk about innovation, we very often assimilate it to technology. Technology indeed offers enormous potential to small and medium businesses because they can scale up quickly and massively increase their reach, allowing them to sell their products and services internationally, save time and be cost benefit. It constitutes a strategic resource in a firm's competitiveness and it is unavoidable for enterprises which want to develop and maintain a competitive advantage and gain entry in to new markets. But impediments such as costs, shortage of skilled manpower, low awareness of the benefits of technology, data security and privacy and inadequate core infrastructure generally prevent our SMEs from making use of available technologies.

Does this mean that innovation is out of reach for our SMEs? Certainly not! Too often, innovation activities around the use of technology are being used solely to improve the IT function, rather than genuinely innovate into the market. The greatest SMEs in fact only grow



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(Business and Enterprise Division)**

because they understand that the customer is the most important stakeholder. The likes of Amazon, Uber and Netflix all thrived, not through their tech-driven services but because they consistently continue to provide the best in service. Simply put, technological innovation is fantastic but entirely wasted if it doesn't improve the customer's experience.

The lesson learned from these very topical examples is that it is only by transcending the mainstream belief that the capacity to innovate exclusively depends on complex technological processes that SMEs will be able to maximise their potential in terms of innovation. We are here today to talk about barriers to innovation in SMEs and **perhaps SMEs would have overcome the most crucial barrier once they shed this reductionist view of innovation first of all.**

Innovation is not even a question of the budget we have for R&D - when Apple came up with the Mac, IBM was spending at least 100 times more on R&D. This says it all. In fact, it is very often a question of **creativity**. Developing agile processes and asset-light business models, designing localised products to appeal to emerging market customer segments, achieving cost efficiencies in the distribution mechanism, exploring ways to reduce the cost of products or services, repackaging in view of making products more appealing to customers, or adopting a different approach to customer relationships are all ways of innovating.

We have to demystify innovation! And I hereby commend the MRC as well as the Ministry of Technology for this workshop which will help SMEs view innovation through the right lens. It is only then that instead of being driven by individuals working within the well-defined boundaries of corporate or university labs, innovation will increasingly emerge from the distributed intelligence of a global crowd, including SMEs.



MINISTRY OF BUSINESS, ENTERPRISE & COOPERATIVES
(Business and Enterprise Division)

In line with the 4th Industrial Revolution, Americans are talking about **SME 4.0**, that is transferring the industrial revolution to SMEs. You will most probably think that I am being unreasonable but I sincerely believe that Mauritius also can nurture the SME 4.0 ideal. Because it is not geography or industry that sets innovation leaders apart. **It is strategy, approach and execution.**

Innovation in SMEs is not however without its hurdles. Different barriers predominate in different SME groups, with financing problems affecting primarily micro, small and young enterprises and businesses pursuing growth strategies. Others are mainly affected by bureaucratic obstacles. For others, like craftsmen for example, organisational and skills problems in combination with financing difficulties and high market risk are the most widespread barriers to innovation. I am confident that today's workshop will shed light on the fact that innovation support to be provided to SMEs should be broad-based and comprise both financial and non-financial support, given the heterogeneity of the sector and the diversity of obstacles to innovation.

Government is fully aware that public policy plays a critical role in facilitating the adoption of innovation by SMEs. That is why it recently initiated **the National SME Incubator Scheme**, which is spearheaded by MRC, in collaboration with the private sector. At the level of my Ministry, we are organizing the **SME Innovation Award** which, on top of rewarding SMEs that stand out in terms of process and product innovation, bears the long term vision of encouraging our entrepreneurs to start nurturing a new culture, thus paving the way for the emergence of a wave of modern Mauritian entrepreneurs.



MINISTRY OF BUSINESS, ENTERPRISE & COOPERATIVES
(Business and Enterprise Division)

Today's event is a fine example of constructive collaboration among stakeholders of various horizons towards a common purpose. By the end of this day, I am sure that we will all agree about the power of working together. Likewise, I am very well aware of the fact that running an SME can sometimes be a very lonely experience and I firmly think that SMEs need to embrace a culture of collaboration to help them find ways to innovate, scale up, and stay ahead as the pace of change continues to increase. Established large enterprises also have a crucial role to play in pointing the way forward to our SMEs.

Ladies and gentlemen,

The message echoed to SMEs today is quite clear: **innovate or become irrelevant**. Through the 10-year SME Master Plan, various schemes and fiscal incentives, incubators, and the forthcoming inception of SME Mauritius, Government is progressively paving the way for the creation of a conducive entrepreneurial ecosystem. Mauritius incidentally moved **from 67th in 2016-2017 to 63rd in the innovation ranking of the 2017-2018 Global Competitiveness Index** and I am confident that we have the capacity to continue to spark significant improvement at this level.

If entrepreneurs, as well as public and private stakeholders nurture the symbiotic relation between entrepreneurship and innovation, I am confident that the dream of SME 4.0 can come true for Mauritius.

Thank you for your attention.