



International
Trade
Centre

TRADE IMPACT
FOR GOOD

SME COMPETITIVENESS OUTLOOK

Small Business in Fragility: from Survival to Growth

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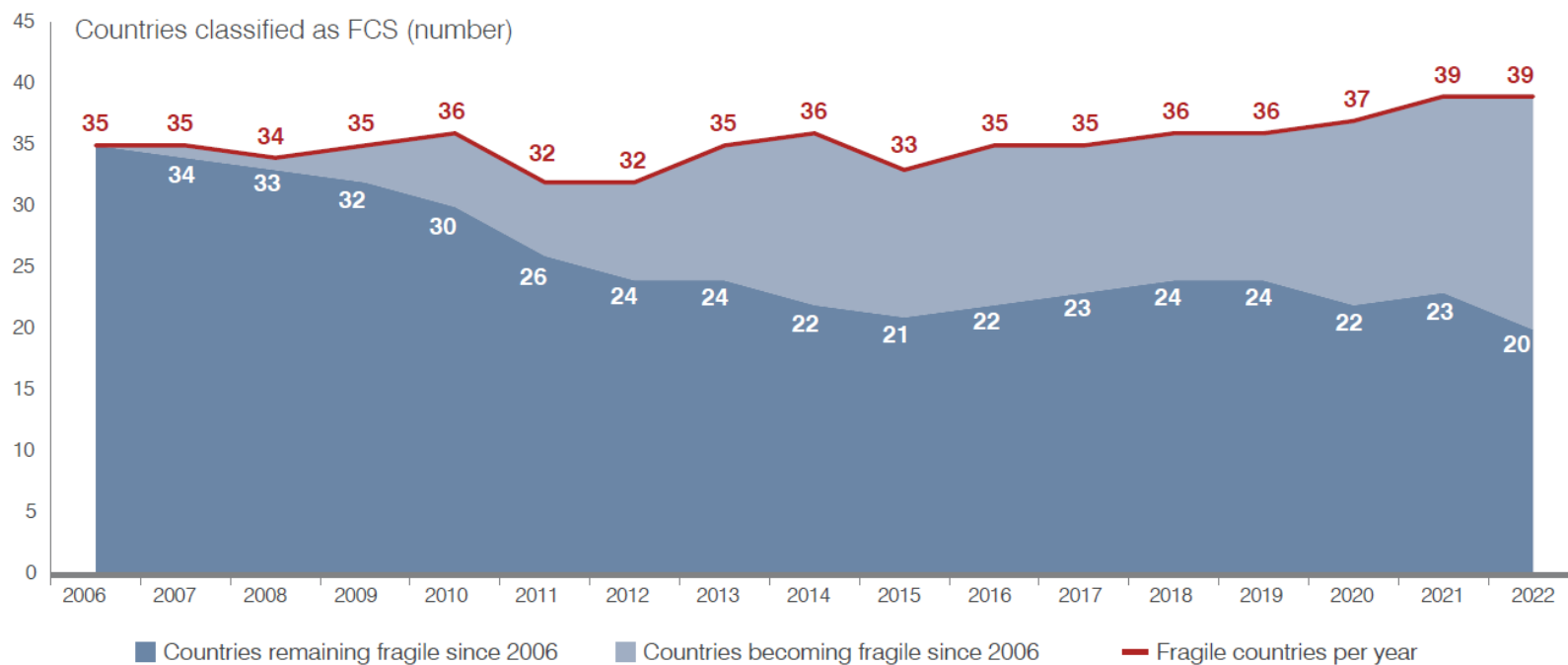
Addis Ababa, 11 November 2024

2023



Our world is becoming more fragile

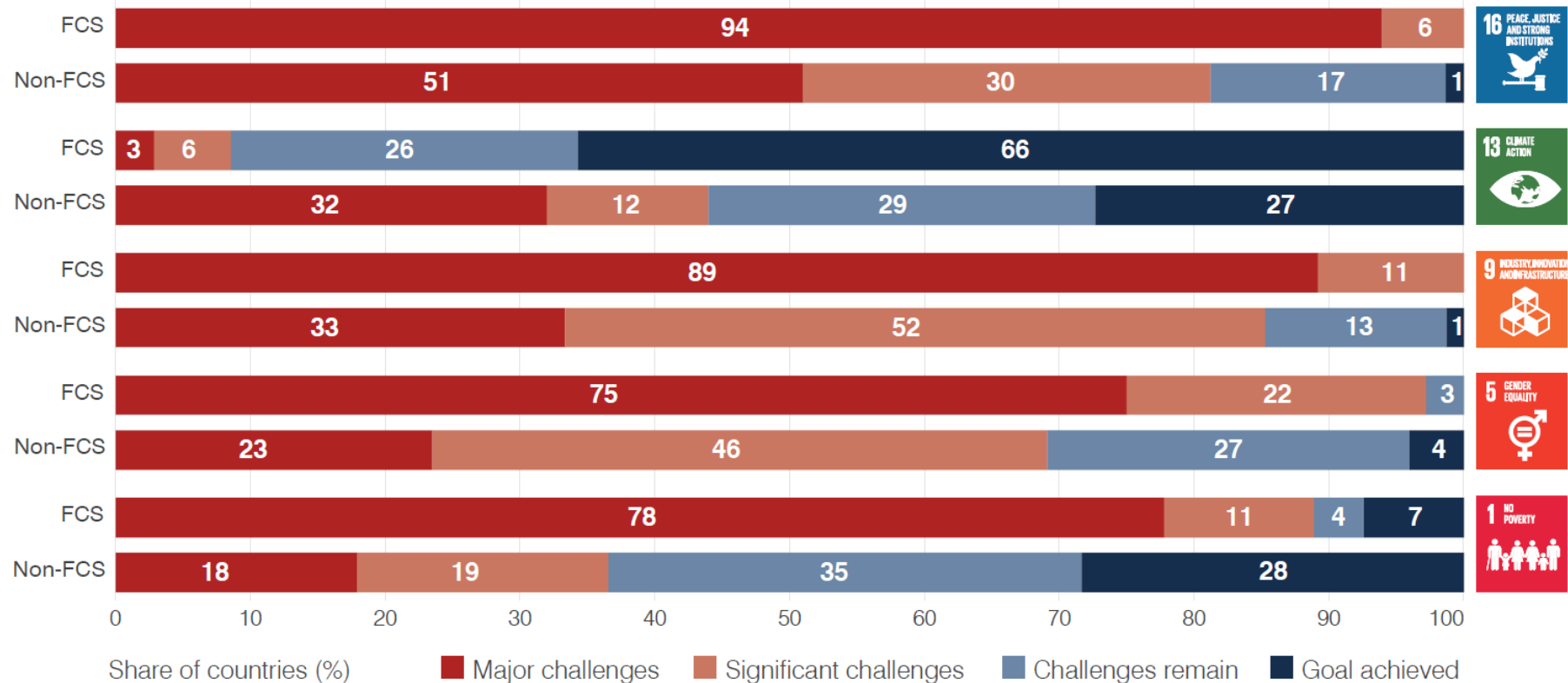
Quadruple shock of COVID, conflict, climate change and higher cost of living pushing **more countries into fragility**



Of the 35 countries classified as fragile or conflict affected in 2006, only **15** have managed to break out of fragility, and **19** have fallen into it.

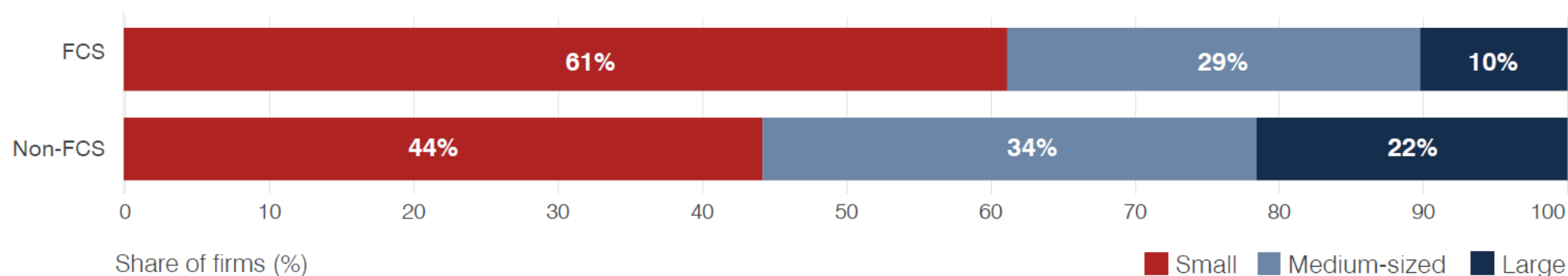
Fragility threatens livelihoods

Countries affected by fragility are **struggling to achieve most of the SDGs**



Why small businesses matter in fragility?

In fragile settings, MSMEs comprise **90% of all businesses**, with a stronger presence of smaller firms



If they **survive**, they can provide some of the jobs, goods and services needed to meet basic societal needs, helping **sustain the livelihoods** of millions

If they are set on a **growth** trajectory, they are more likely to take off once peace takes hold, helping **sustain long-term stability**

Most firms are hurt by fragility...

Business Phase:



Conceptualization



Start-up



Growth



Internationalization



Exit



Challenge

Misallocation of entrepreneurial talent

More firms created out of necessity
Lower formalization

Constrained or regressive innovation
Stunted growth

Lower exports
Brain drain and firm flight

Higher failure rates



Opportunity

Large pool of latent entrepreneurs

Higher creation rates, though informal

Benefits for connected or protected firms

Diaspora remittances and investment

Serial entrepreneurship

....but impacts vary

Levels

Country

Region
Exact location

Company
Individual

Pillars

Security pillar

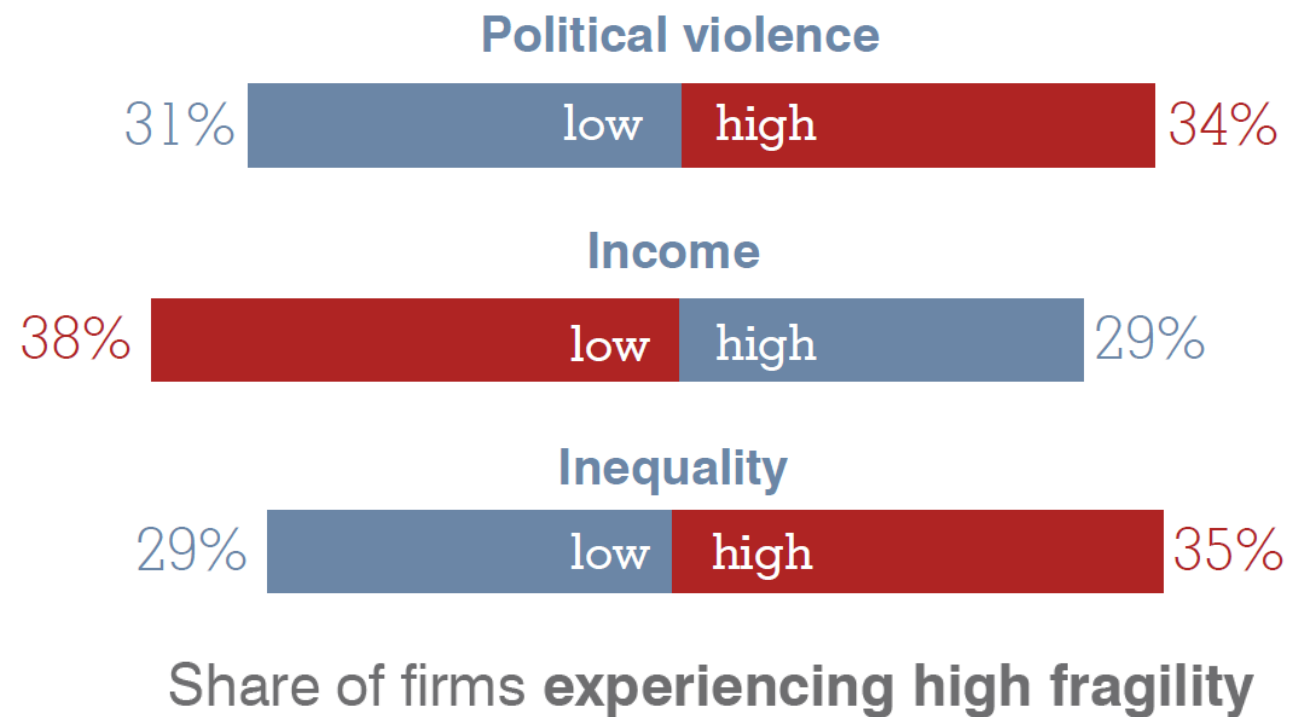
Economic pillar

Social pillar

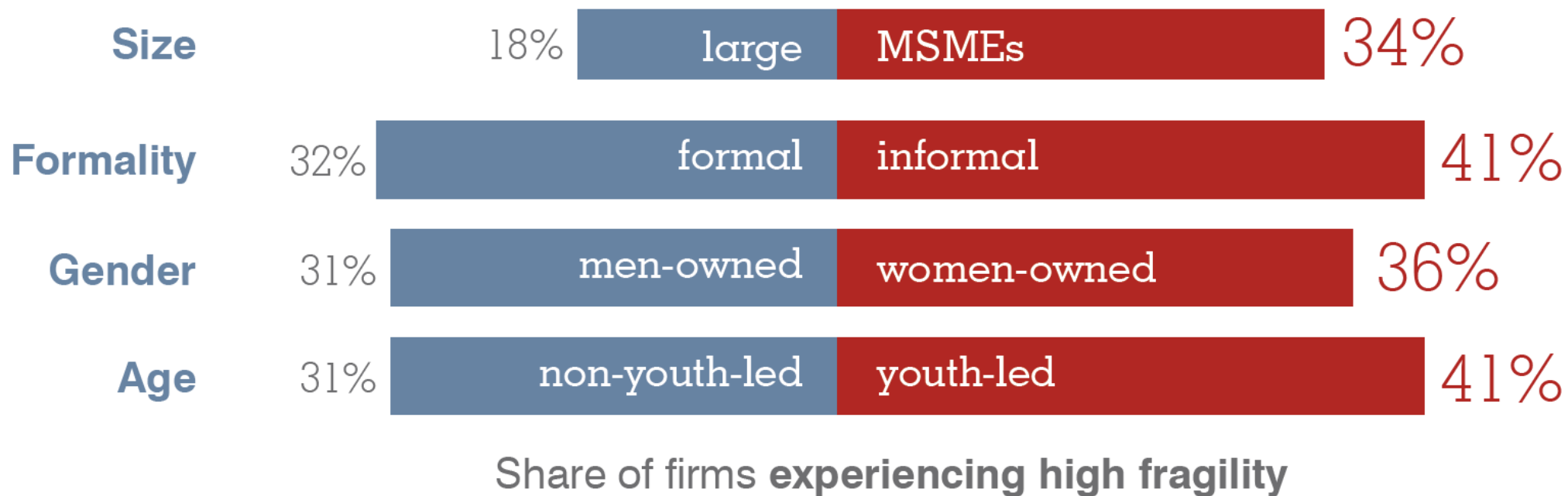
ITC Fragility Exposure Index aggregates firm-level scores and shows how firms are differently exposed to the same overarching state of fragility

Business location matters

Firms' perception of fragility in regions with:



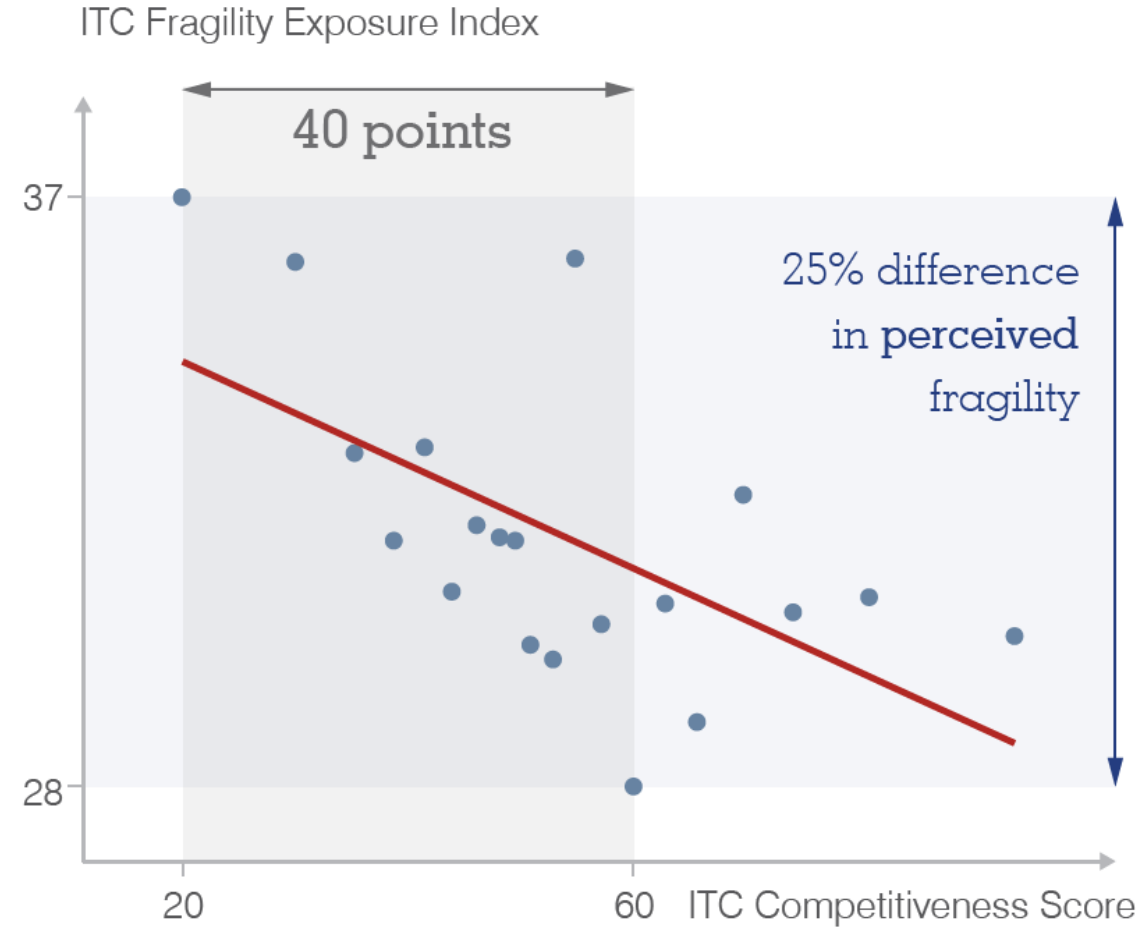
Firm characteristics matters





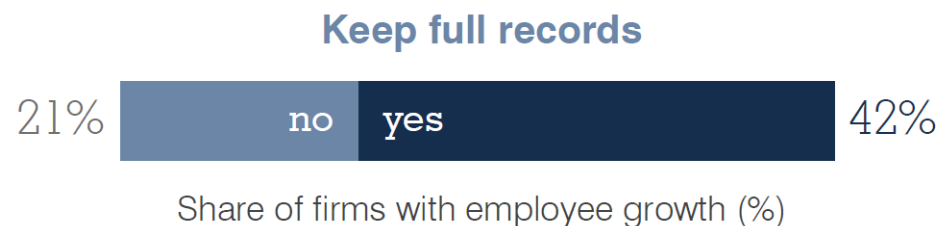
And actions matter, too

What **firms do**, not just where and what they are, influence their experience of fragility

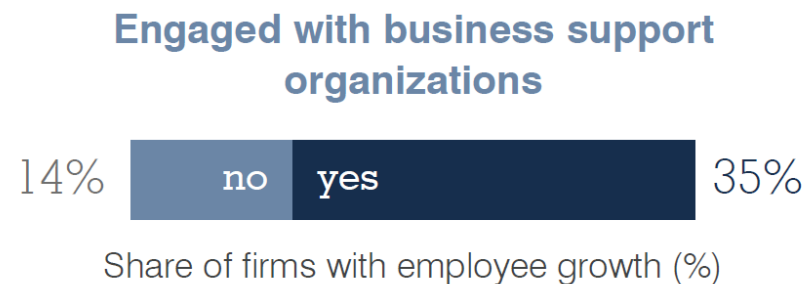


Firms must compete, connect and change

Improve financial management



Build connections



Identify and retain skilled staff



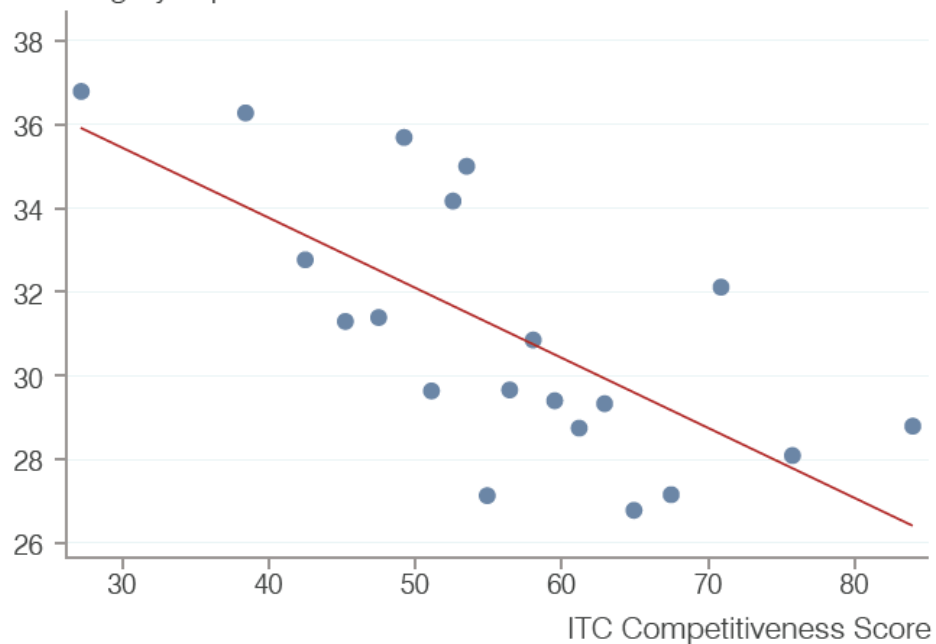
But there are limits to what firms can do

As the environment becomes more fragile, the relationship between competitiveness and fragility disappears.

Applicable to compete, connect and change

Less fragile countries

ITC Fragility Exposure Index

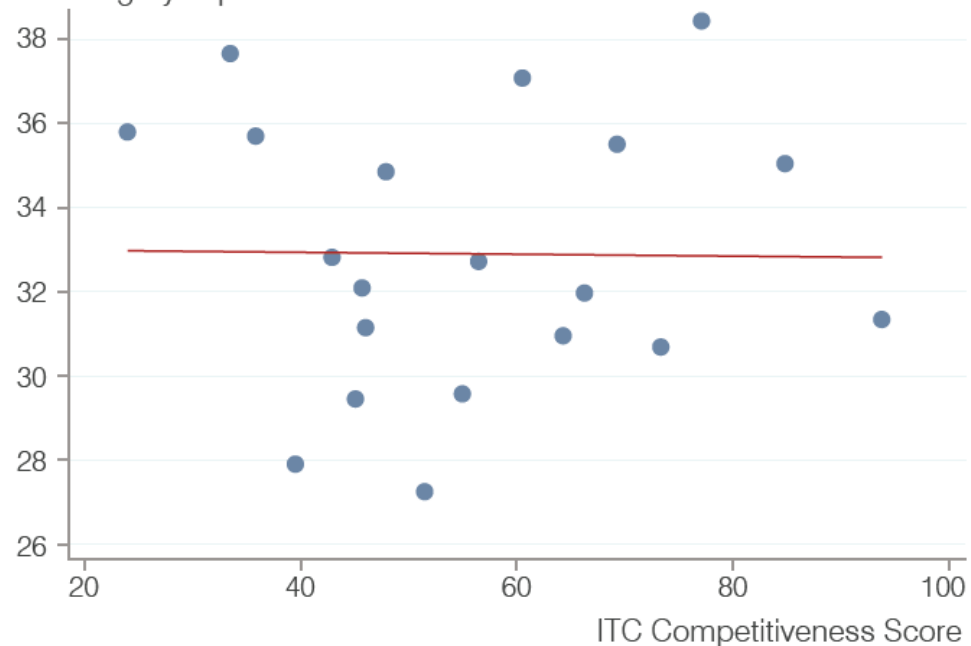


Applicable to compete, ONLY

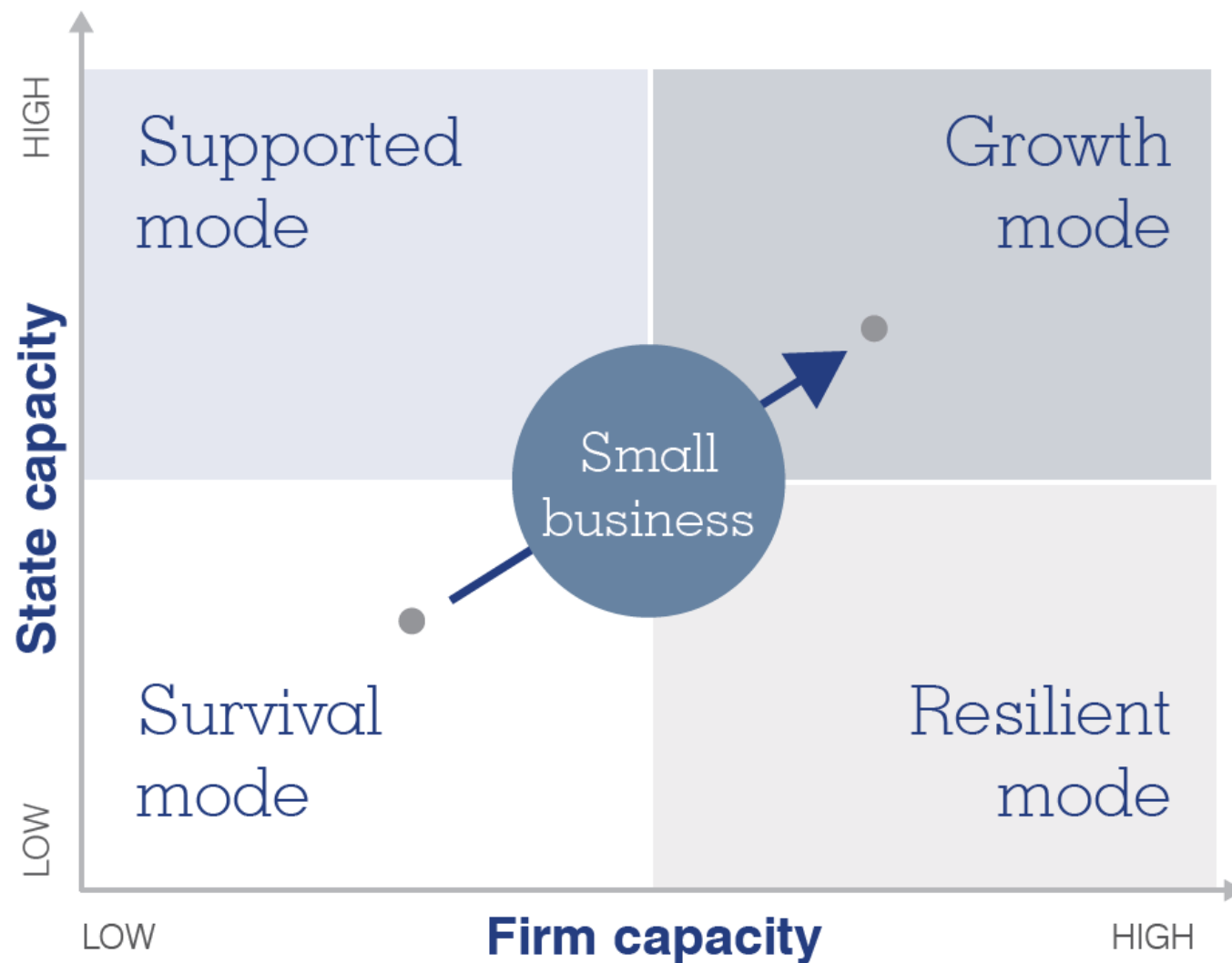
Firms are largely concerned about survival, not growth

More fragile countries

ITC Fragility Exposure Index



An effective strategy must be holistic



Thank you!

Small Businesses in Fragility: From Survival to Growth



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Fragility and SME Competitiveness Surveys

Enhancing policy through data collection



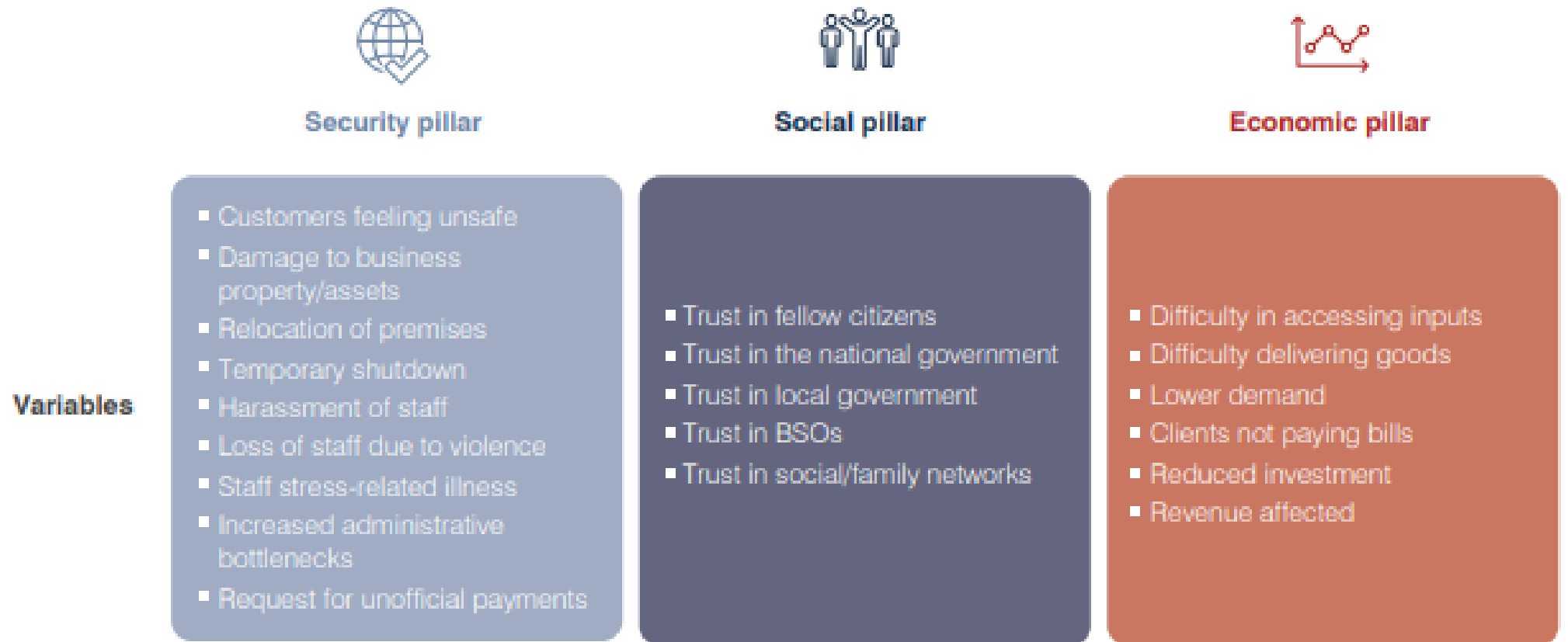
ITC Small Business in Fragility Survey

- Implemented between November and December 2022 in [eight countries](#).
- Asking how businesses [experience fragility](#) and the [coping mechanisms](#) they adopted in response.
- 1095 of the interviews in 6 countries could be merged with their SMECS responses.

Country	Number of completed interviews	Share
Burkina Faso	195	15%
Colombia	204	15%
Honduras	100	8%
Iraq	229	17%
Kenya	200	15%
Myanmar	101	8%
South Sudan	202	15%
Ukraine	92	7%
TOTAL	1,323	100%

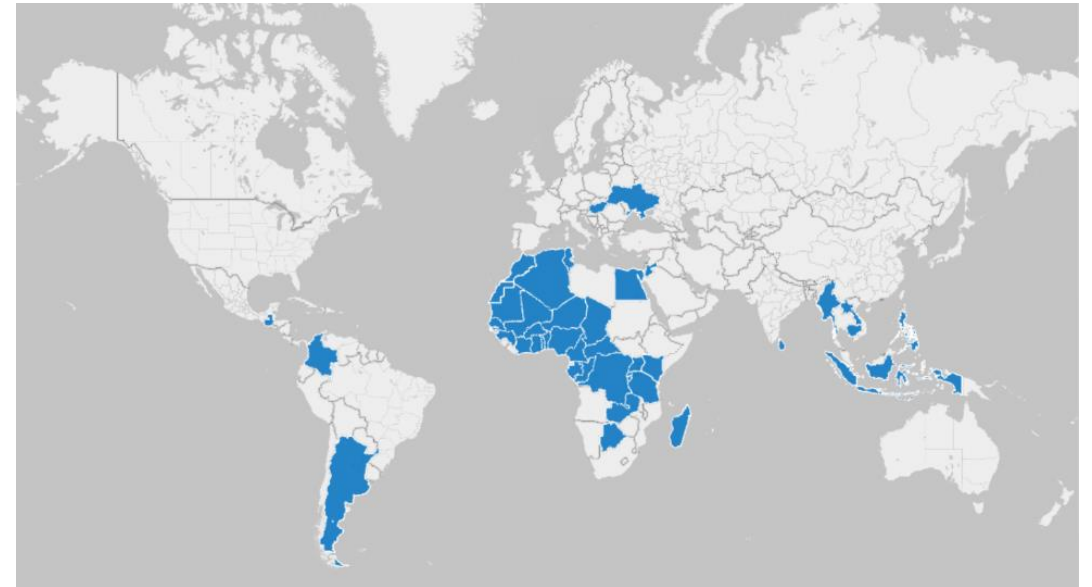
ITC Fragility Exposure Index

- Firm level fragility is a **multidimensional** concept, expressed through factors that often influence one another.
- The ITC Fragility Exposure Index models this multidimensionality following the conceptual framework from Baliki et al. (2022).



ITC SME Competitiveness Survey

- A global enterprise-level data collection exercise designed by the International Trade Centre (ITC);
- Over **42,000 companies** surveyed in **58 countries**;
- Identify the **strengths and weaknesses** of enterprises, as well as track the soundness of their business ecosystem;
- Data is made available to help improve the environment for enterprises;
- All sectors covered.



PRIMARY



SECONDARY



TERTIARY



ITC's definition of competitiveness

Competitiveness is the demonstrated ability to design, produce and commercialize an offer...

...which fully, uniquely and continuously fulfils the needs of targeted market segments, ...

...while connecting with and drawing resources from the business ecosystem,....

and achieving a sustainable return on the resources employed.



Enterprise Competitiveness Grid



Source: ITC.

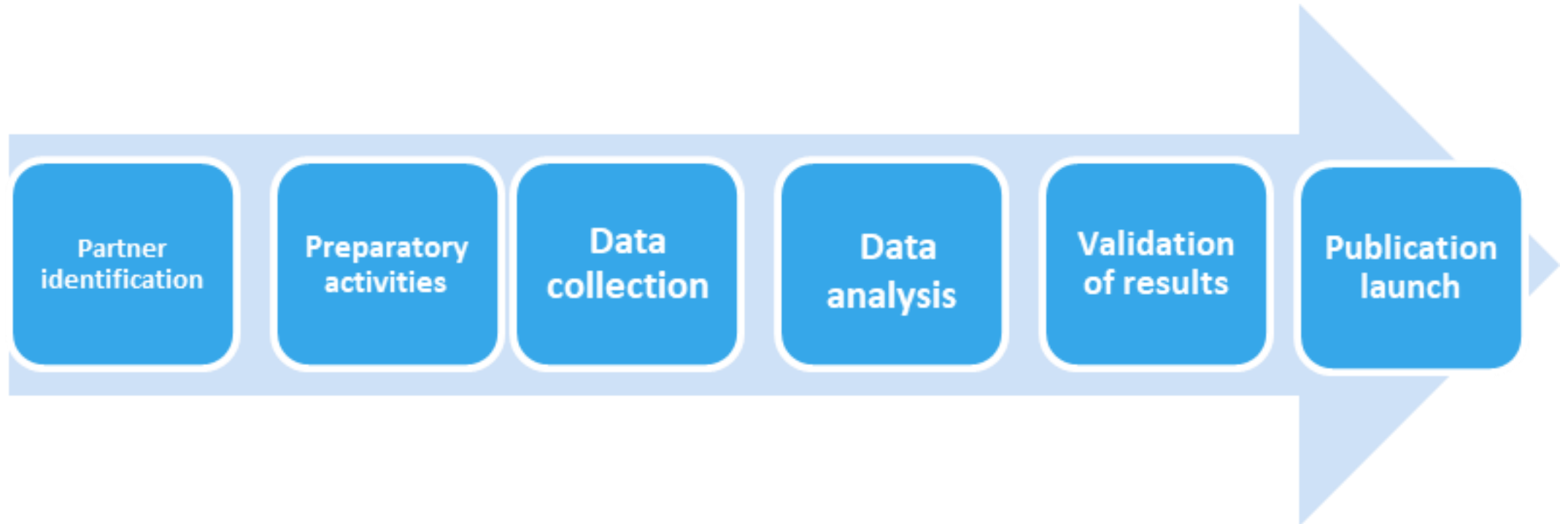
- By combining information from the three levels, we can go beyond simply saying 'certification is a problem' or 'finance is a problem' for SMEs.
- The better a problem is diagnosed, the better more targeted the policy solution can be.

Process

Surveys usually take place in partnership with a domestic trade and investment support organization.

The partner organization interviews hundreds of companies using the ITC questionnaire, supported by ITC through training and capacity building.

ITC analyses the data, producing a publication with the resulting insights.



For more information

smecompetitiveness@intracen.org

<https://intracen.org/resources/data-and-analysis/research-and-data>