



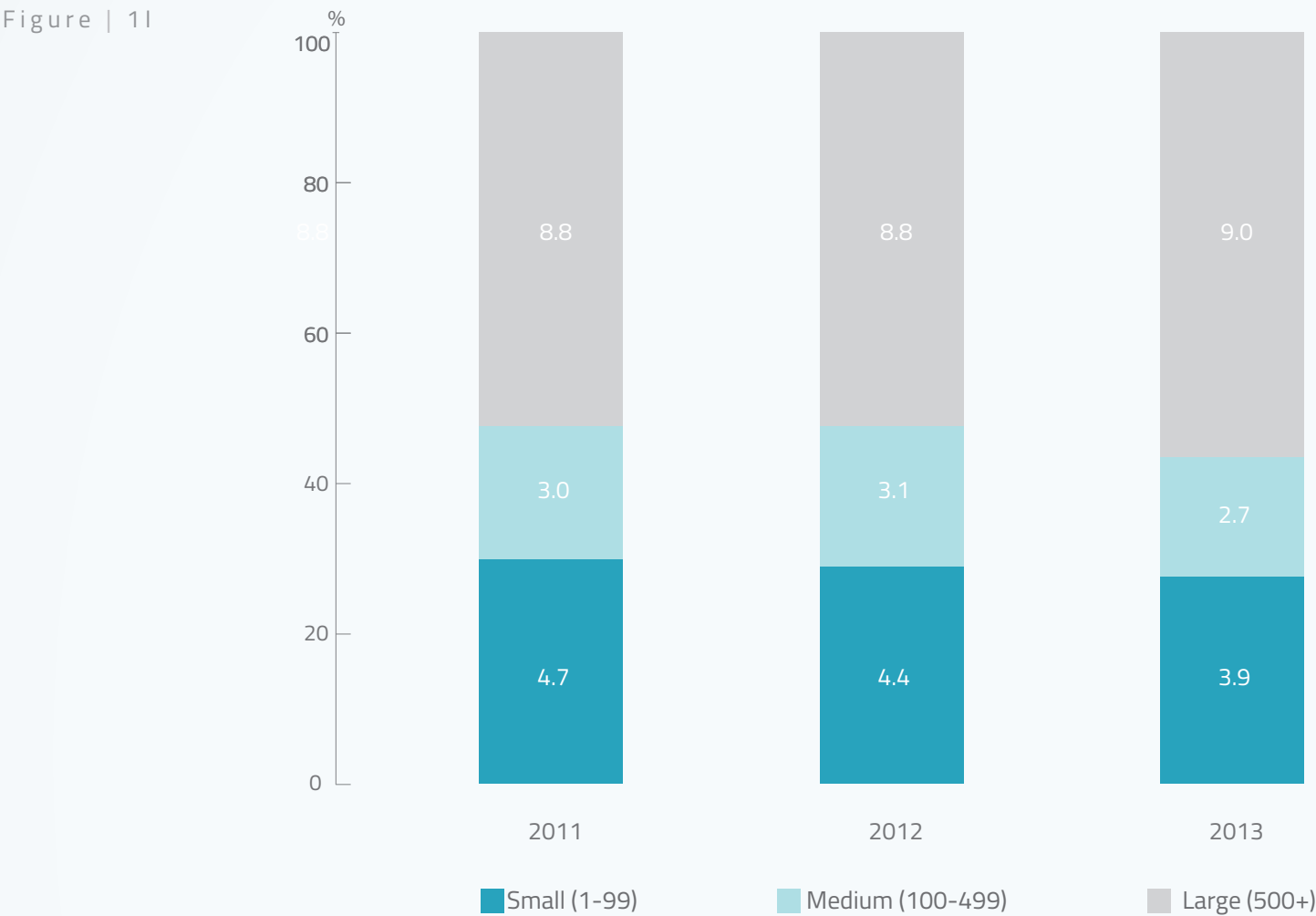
INNOVATION

HOW MUCH DO SMES INNOVATE?

In a world with limited resources, the fastest way for SMEs to boost productivity and economic growth is to innovate. Innovation is often thought to be synonymous with high-technology inventions, but innovative business behaviour encompasses a broad range of practices, including technological inventions and operational optimizations, to turn creative ideas into innovations. The Survey on Financing and Growth of Small and Medium Enterprises, 2014 divides innovations into product, process, organizational and marketing categories. Survey data show that over 41.7% of small businesses and 58.3% of medium-sized enterprises implemented at least one type of innovation.

The availability of resources to spend on research and development (R&D) is tied to the size of businesses. While large businesses make up approximately 0.3% of all employer businesses, Figure 1I shows that between 2011 and 2013 they accounted for over 50 percent of all R&D spending. Comparatively, despite representing 97.9% of all employer businesses, small businesses accounted for about 27% of total R&D spending. Medium-sized businesses, which make up 1.8% of employer businesses, accounted for about 18% of all R&D spending. It is particularly noteworthy that SME spending on R&D has been consistently declining over the course of the period 2011–2013.

Percentage of SMEs Innovating within the Last Three Years by Industrial Sector, 2012–2014



SOURCE: Statistics Canada, Industrial Research and Development, 2015; and Innovation, Science and Economic Development calculations.

INNOVATION MATTERS

Percentage of SMEs Innovating within the Last Three Years by Industrial Sector, 2012–2014

Figure 1J shows the percentage of SMEs by industry that have innovated within the last three years. Innovation levels were highest in manufacturing (61.5%), wholesale trade (50.5%) and professional, scientific and technical services (45.0%). Transportation and warehousing, and construction have the lowest percentage of innovative businesses, with only 31.0% and 36.4% of businesses innovating, respectively, within the last three years.

Figure | 1J

