



International
Trade
Centre

TRADE IMPACT
FOR GOOD

SME COMPETITIVENESS OUTLOOK

2023

Small Businesses in Fragility: from Survival to Growth

EiWG meeting

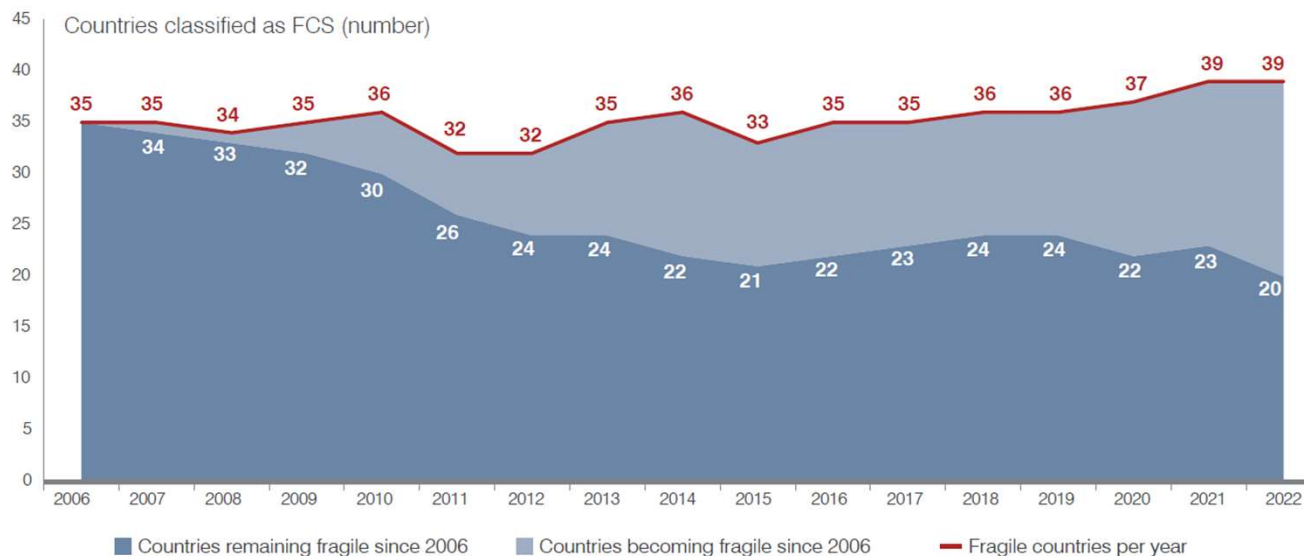
Barbara Ramos, Chief, Research and Strategies for Export

Date: 01 February 2024



Our world is becoming more fragile

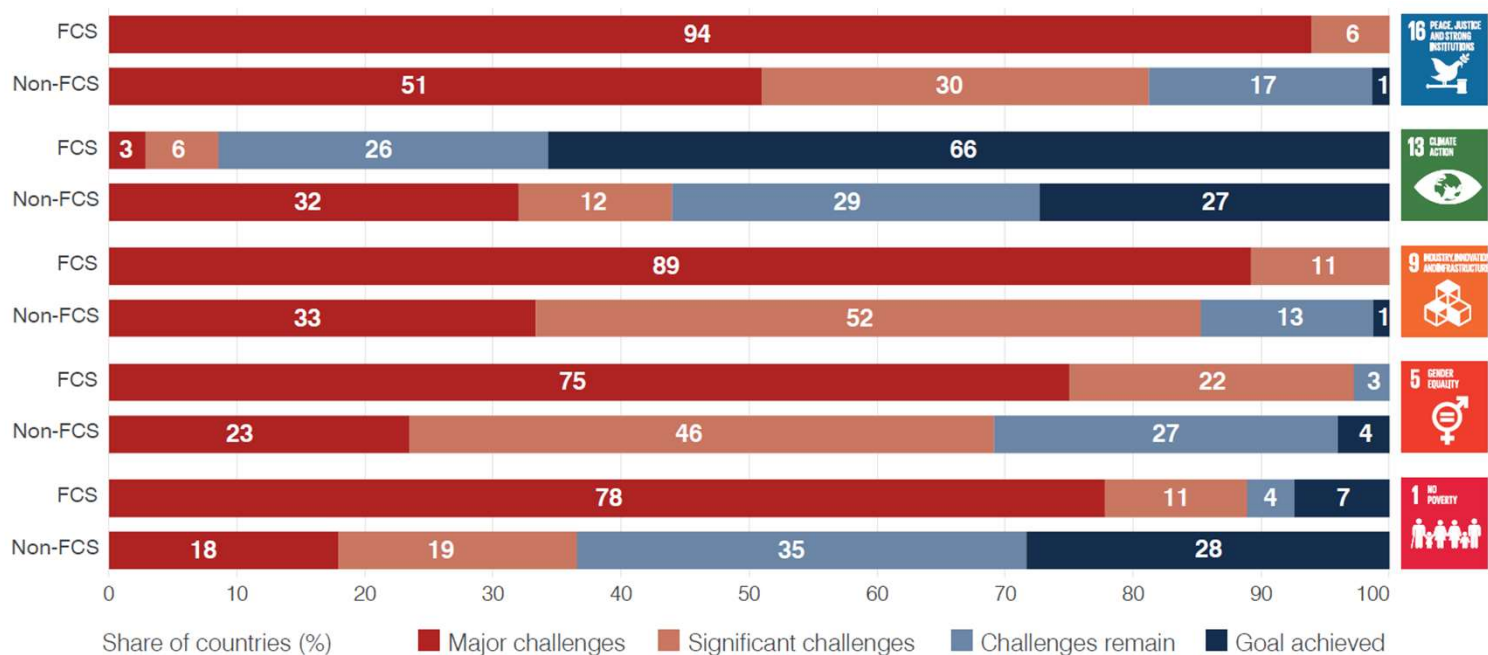
Quadruple shock of COVID, conflict, climate change and higher cost of living pushing **more countries into fragility**



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 now...

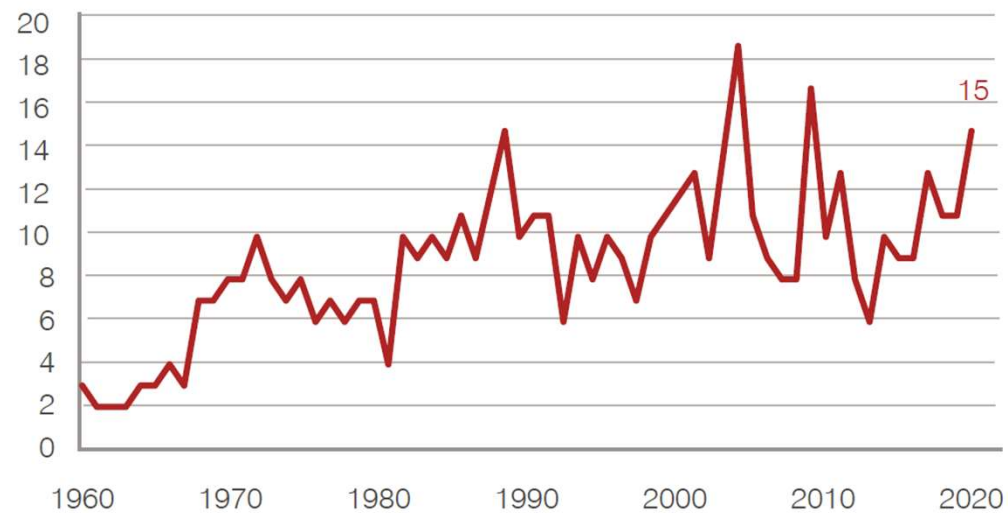
Countries affected by fragility are **struggling to achieve most of the SDGs**



... and in the future

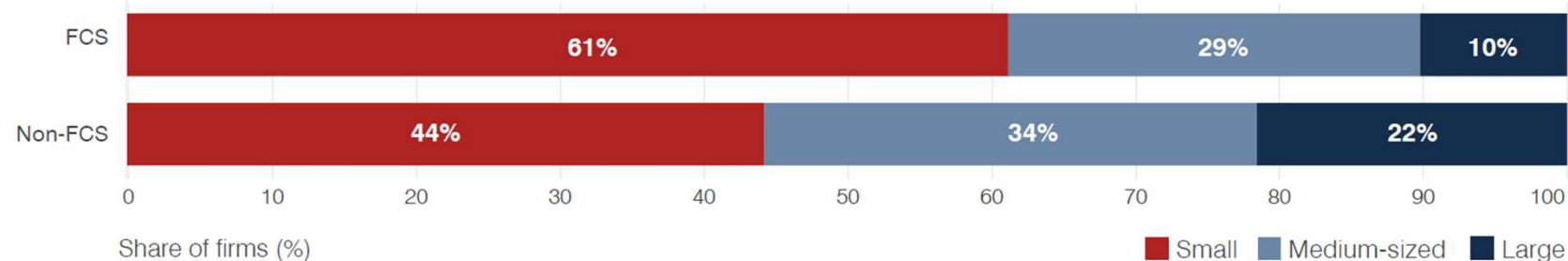
Conflict is **dragging out over time**, involving **more countries** and with **more spillover** effects

Conflict duration (average number of years)



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

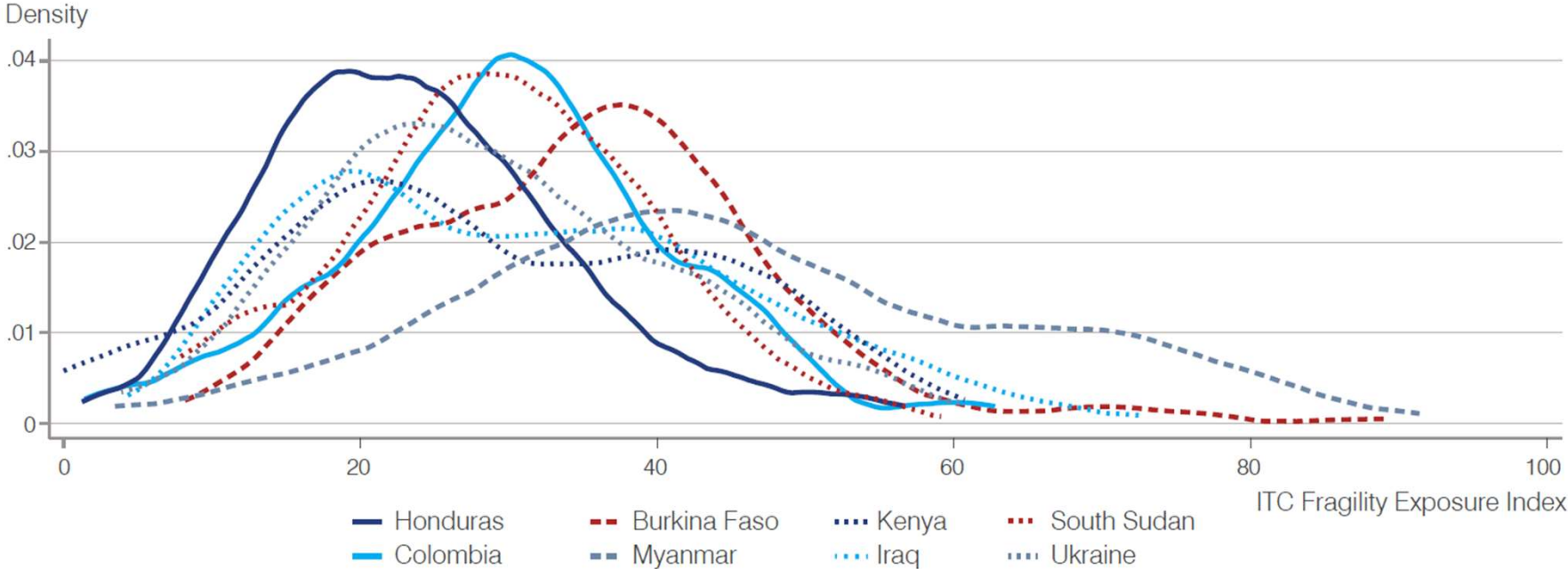
Higher creation rates, though informal

Benefits for connected or protected firms

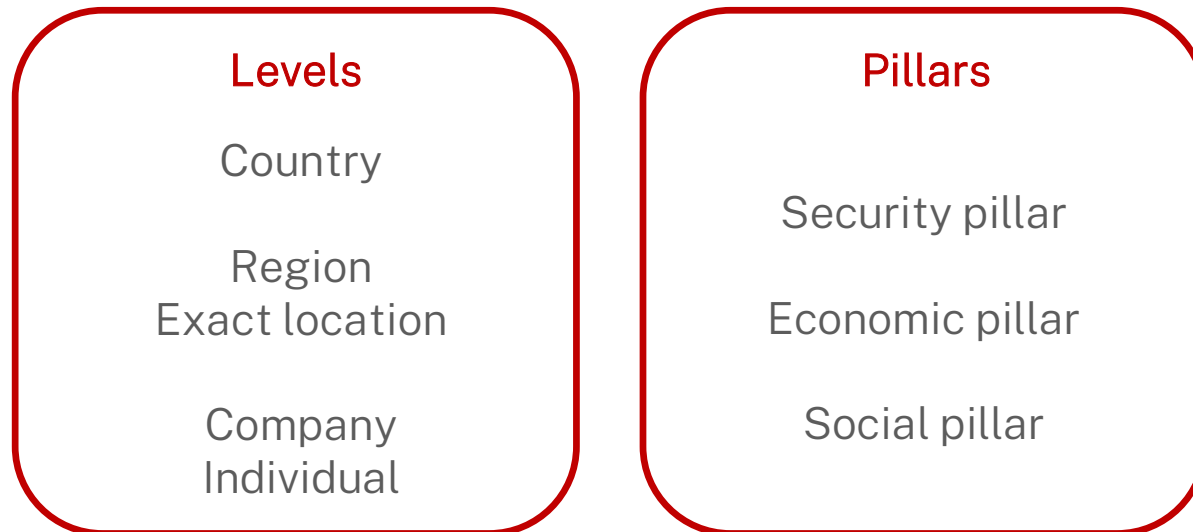
Diaspora remittances and investment

Serial entrepreneurship

...but impacts vary



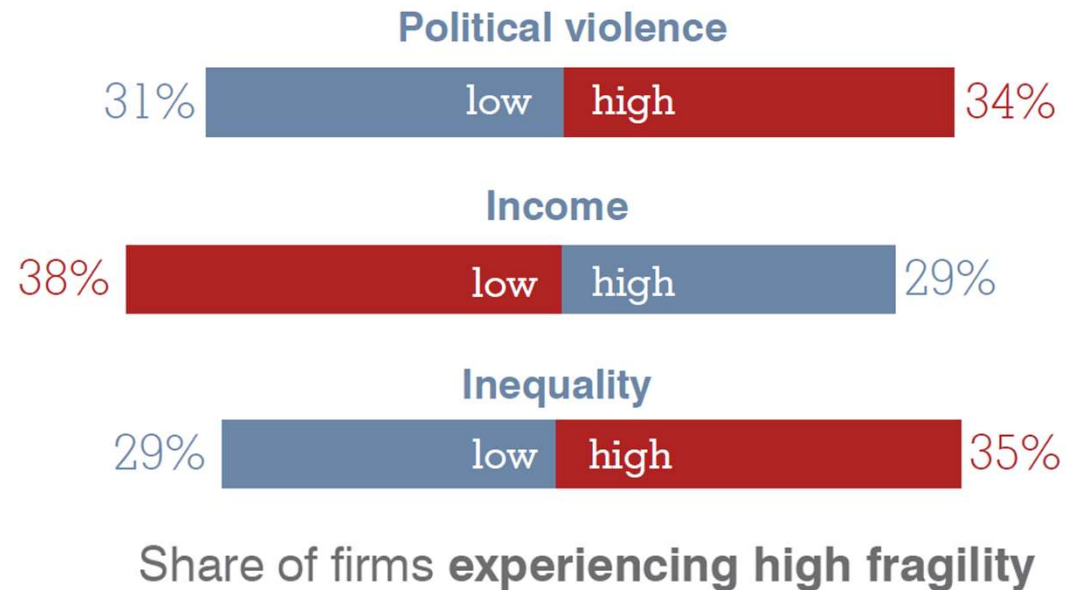
Some businesses suffer more



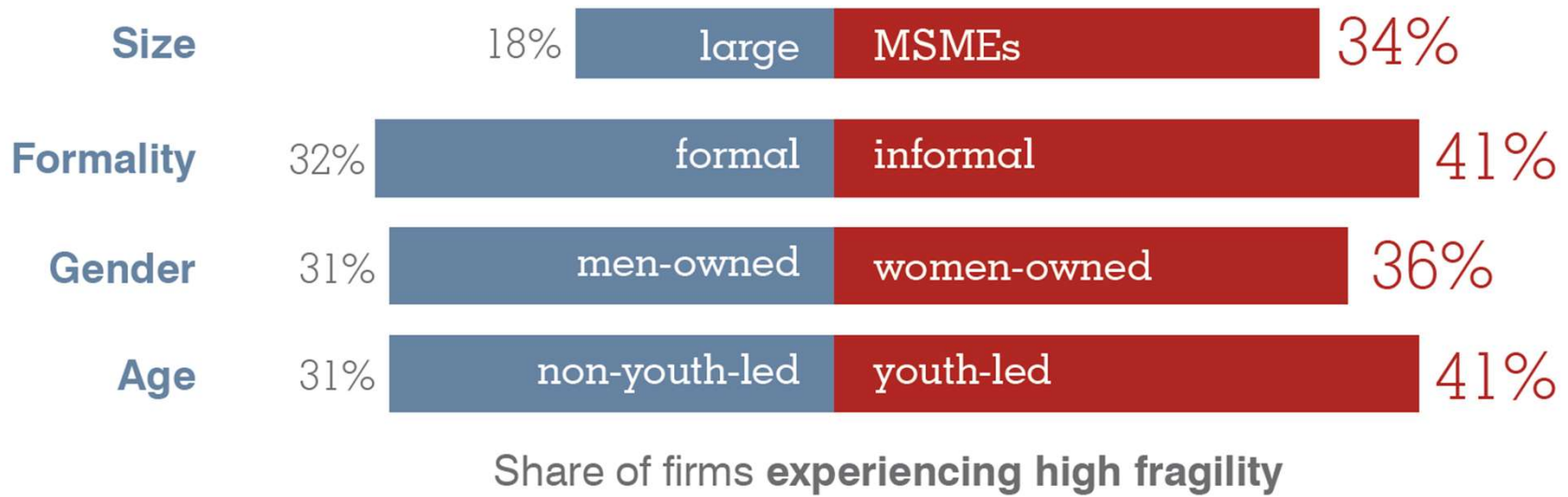
ITC Fragility Exposure Index aggregates firm-level scores and shows how firms are differently exposed to the same overarching state of fragility

Business location matters

Firms' perception of fragility in regions with:



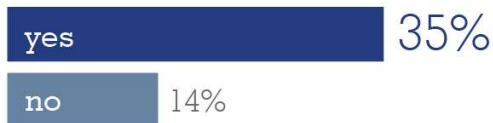
Firm characteristics matters



And actions matter, too

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

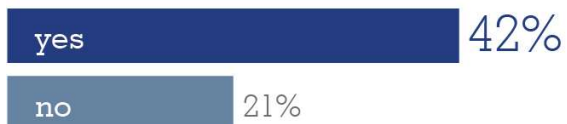
Engaged with Business Support Organizations (BSOs)



With strong hiring practices



Keeping financial records

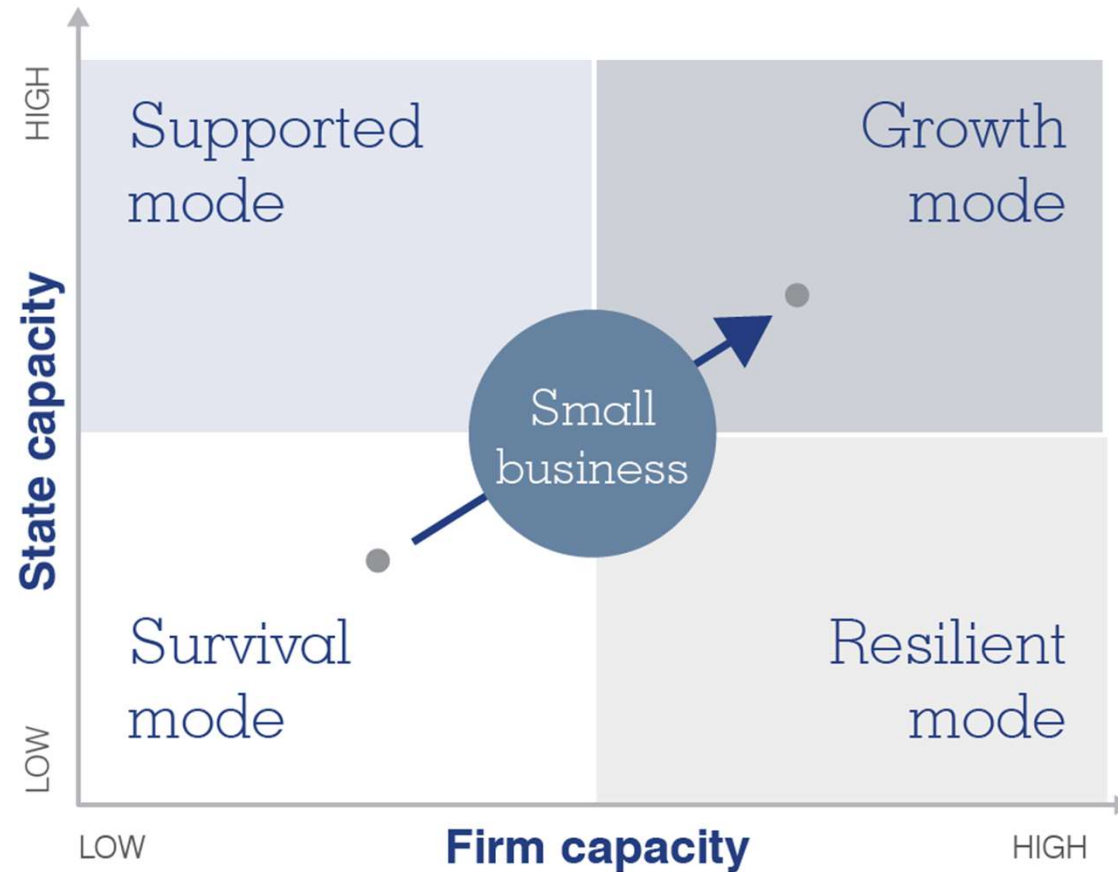


share of respondents reporting
employment growth (%)



But there are **limits** to what firms can do:
As the environment becomes more
fragile, the relationship between
competitiveness and fragility disappears.

An effective strategy must be holistic



Thank you!

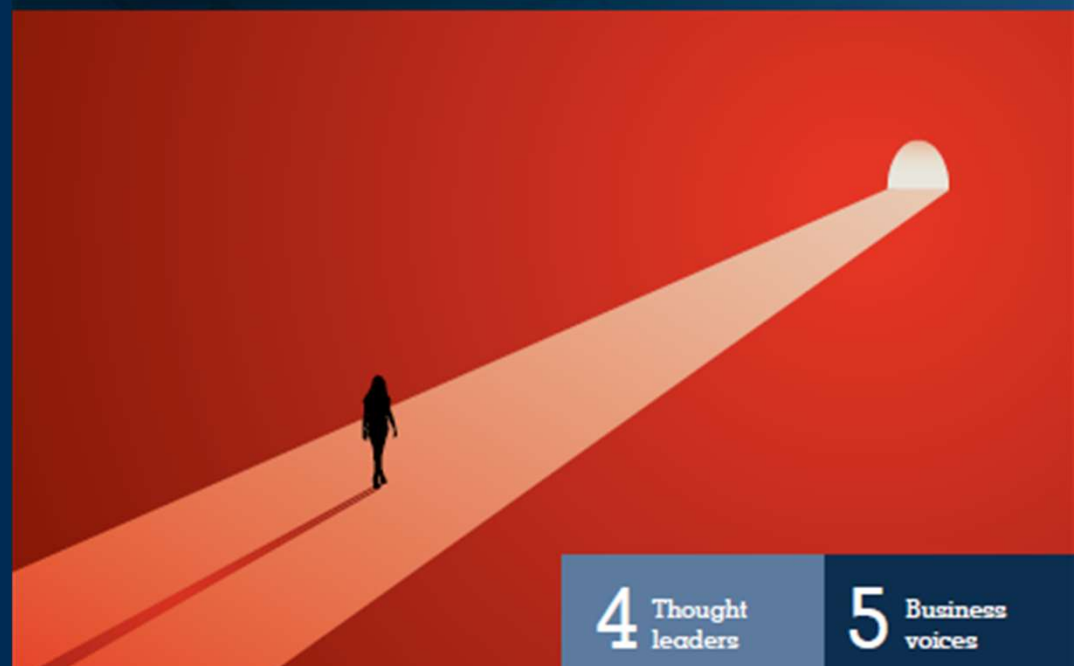
Report available at:

<https://intracen.org/resources/publications/sme-competitiveness-outlook>



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