



INSME Insights

Small and – Large industries Business linkages

ENCADEAR - SEBRAE /Brazil

Mirco and Small Enterprises in Brazil

The Brazilian Economy with its 99,1% is entirely based on micro and small enterprises – a wide variety of 5.9 million companies, that **generated 72% of new jobs** throughout the whole country in 2010.

While those numbers are huge and impressive, only a small part (more or less **25%) of the GDP** is generated by those companies and they face difficulties in remaining competitive on a global scale due to a **low level of productivity** compared to other countries as Italy or Greece.

To make sure micro and small enterprises are able to increase their level of productivity and generate further revenues from their commercial activities, companies shall pertain to a **value chain** to afford international competition.

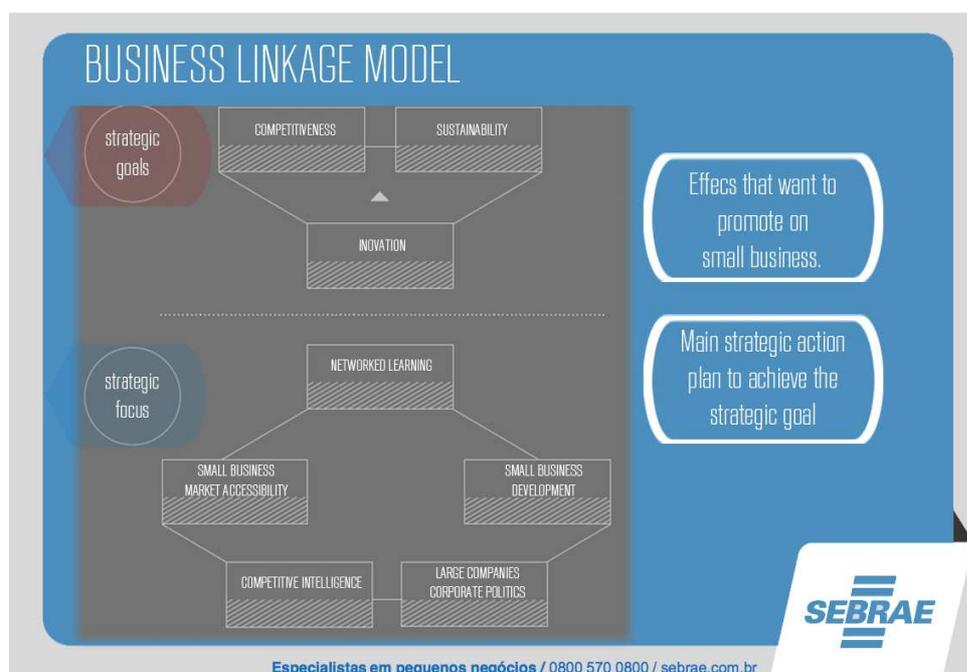
The Business Linkages Strategy - ENCADEAR

For the purpose of **reducing the asymmetry of productivity** between small and large enterprises, SEBRAE has adopted the **Business Linkages Strategy**, inducing the inclusion of small businesses in the value chains of large enterprises, in order to contribute to the improvement of competitiveness.

The logic of operation clearly maps the demand from large enterprises and the offer from small companies to overcome the **competitive gap** by considering the **technology skills** of the small entrepreneurs and the **requirements** from large players considering 3 factors: **management, products and processes**.

The alignment of these interests promotes involvement and **increase reliance in the relationships** and stimulates large and small enterprises to share **results to be cooperatively achieved** in the medium and long term. The set of solutions to promote the business linkages is identified by SEBRAE and is carried out with a **stringent action plan**.

The strategy is articulated around 3 main strategic goals (**competitiveness, sustainability and innovation**) and 5 foci (see figure below):



The actions taken from the five strategic foci **create an environment that supports innovation and impact on the competitiveness and sustainability** of the companies involved. In particular:

- **Corporate Policies of Large Enterprises:** offering guidelines, panning action and decision-making, that stimulates large enterprises to achieve the established goals and objectives. The Business Linkages Model is based on the **corporate policies** of large enterprises, especially the **procurement** ones, to identify the requirements to be met by the small businesses;
- **Competitive Intelligence:** in an increasingly globalized economy, obtaining information about the market in which a company operates and about its competitors is fundamental to achieve sustainable competitive advantages, since it stimulates the culture of innovation and creation of superior value to the customer. The objective is to **optimize the value chain**, based on the interests and needs of large enterprises;
- **Development of Small Businesses:** the idea is to develop and increase the ability of small businesses regarding the technology and management demand of large enterprises. The alignment of interests promotes involvement and **increases reliance in the relationships** to share results to be cooperatively achieved within a medium term;

- **Small Businesses Access to the Market (Business Promotion)**: the focus aims at getting small businesses in touch with big players to be part of their value chain and **achieve a solid position** in the market. Activities consist in business roundtables, visits to large enterprises and technical visits to fairs. The idea is to **emphasize the need for innovation** and diversification of products/ services of small enterprises, thus ensuring company's sustainability;
- **Learning Network**: this focus creates and strengthens connections between small and large businesses and supporting institutions, in order to build a learning network, pointing out to **competitiveness improvement** of those involved. These networks are fundamental to build the capital stock and local importance, contributing to the **sustainable development of the territory**.

The business linkages between large enterprises and small businesses may occur in the **upstream** (suppliers) or **downstream** (distributors, retailers, consumers, after sales and recycling) supply chain of a large company, which establishes the lead mechanisms to induce **managerial improvement, technological development and innovation** from its power as a purchaser and/or supplier.

Current achievements

SEBRAE can count on a portfolio of **84 projects** at today, reaching **15,482 companies** thanks to an **investment of 46.6 Million US Dollars**.

The involvement of big industry players includes international brands as Nestlé, l'Oréal, Petrobras, BASF as well as Bosch and many others.

In the near future the project foresees an **increase of investments**, especially from the large industrial players as they report **measurable financial benefit** from the initiative. Main advantages reported by Large industries are:

- **Best Price Guarantee**
- Increased flexibility for **timely delivery**
- **Visibility** on a national level thanks to sustainability (economically, ecologically and socially)
- **Cost reduction** concerning transport and logistic
- **Investment optimization**
- **Increase of innovation potential** and related capabilities.

Micro entrepreneurs particularly perceive as **tangible benefits** from the project:

- More jobs and **"on the books" Workers**
- Increase of competitiveness and growth of **local economies**
- Increase of **productivity** and improvement of internal **process management**
- Promotion of holistic **sustainability concepts**
- **Access to innovation** and expansion of local businesses.

Targeted large enterprises come from a vast range of activities including the **industry, services, commerce** and the **agribusiness** sector throughout the whole country as the following graph is showing:



SEBRAE is carefully monitoring the **outcomes of the related investments** and **assesses the impact** on a local, regional and country-wide dimension.

Good practice approaches will be shown and explained on a digital platform, to be launched by the End of August 2014 to offer (neighbor-) countries to learn from SEBRAE’s experience and adopt the initiative for their local context.

The platform has been developed throughout a project collaboration among SEBRAE and the Inter-American Development Bank (IADB), with the support of the Organization of Ibero-American States (OEI) and will be entitled “**COPYME**”.



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