

Introduction (SMEs, Entrepreneurship and Innovation)

The introduction examines what is new about innovation in the 21st century and the role played by SMEs and entrepreneurship. An important shift has occurred from the "managed" to the "entrepreneurial" economy, associated with a fall in the importance of economies of scale in production, management, finance and R&D. It is characterised by a series of trends encompassing the emergence of the knowledge economy, open innovation, global connections, non-technological innovation, the "Silicon Valley Business Model" and social entrepreneurship and social innovation. SMEs and new business ventures are important players in this new environment. They have a key role in processes of creative destruction, knowledge exploitation, breakthrough and incremental innovation, and interactive learning. Ensuring they reach their full potential requires a new innovation policy approach that facilitates entrepreneurship and SME innovation. Priorities include inserting new and small firms in knowledge transfer networks, strengthening entrepreneurship skills, and improving institutional environments for social entrepreneurship.

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