

## Knowledge Flows (SMEs, Entrepreneurship and Innovation)

Knowledge affects the market entry, market success and innovation potential of a firm. The contribution of knowledge to entrepreneurship is best understood through a systemic approach to innovation, which differs from the linear approach by taking innovation as a process that does not occur solely within corporate boundaries, but instead requires a web of relationships among firms, research organisations and governments. Knowledge flows are the quintessence of an innovation system, strengthening the performance of local SMEs and underpinning the overall efficiency and vitality of the system. A vast empirical literature shows that knowledge spillovers decay with distance and therefore lie behind the process of localised industrial agglomeration in knowledge- and technology-intensive sectors. However, in a time of globalisation, local innovation systems should not be insulated from global sources of knowledge. Cross-border alliances, FDI embedding and attraction of overseas skilled workers are three of the main channels through which global knowledge flows can revitalise local innovation systems.

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