



## SME and Clusters in Russian Regions > Cases and Lessons for SME Policy

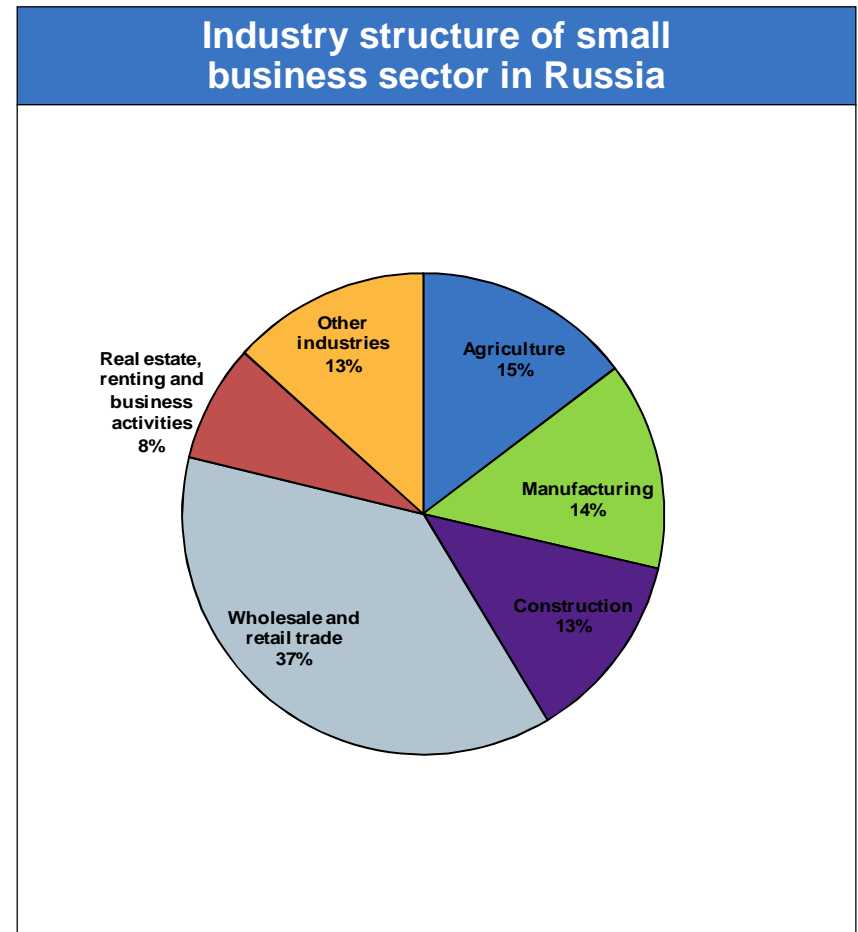
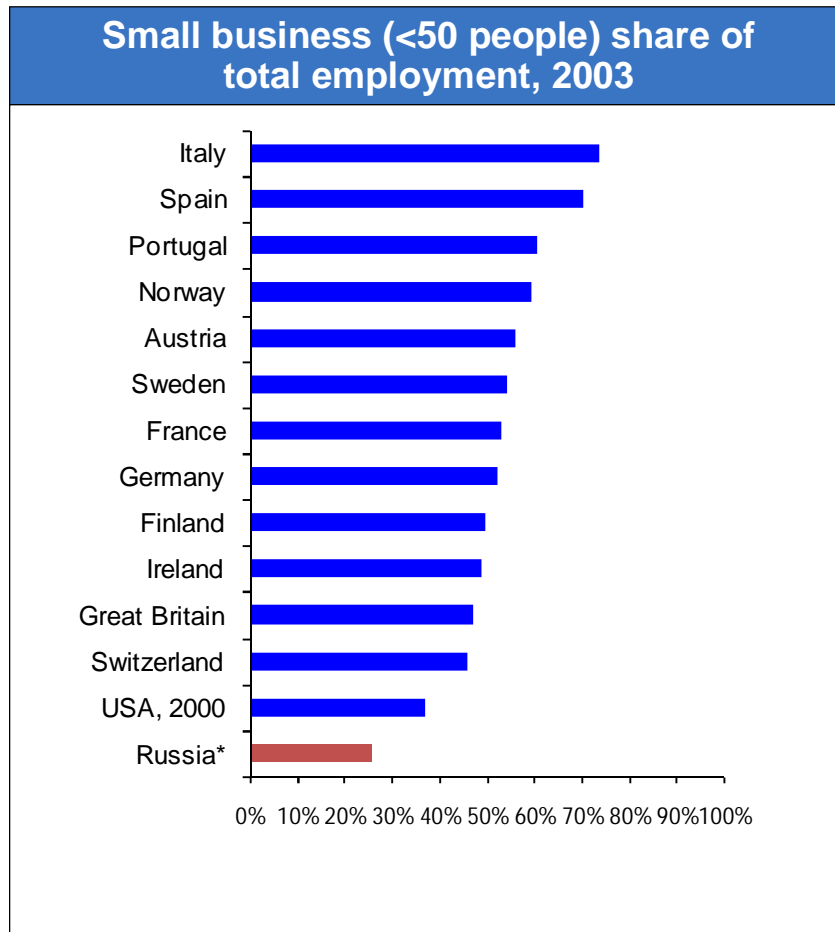
*Alexey Prazdnichnykh*

Bauman Innovation, Academy of National Economy

VII Knowledge Economy Forum  
Ancona, Italy, June 17 – 19 2008

- 1. SME performance of Russian economy**
- 2. Cluster specific barriers for SME development > 3 Cases from Russian regions**
- 3. Lessons for SME Policy**

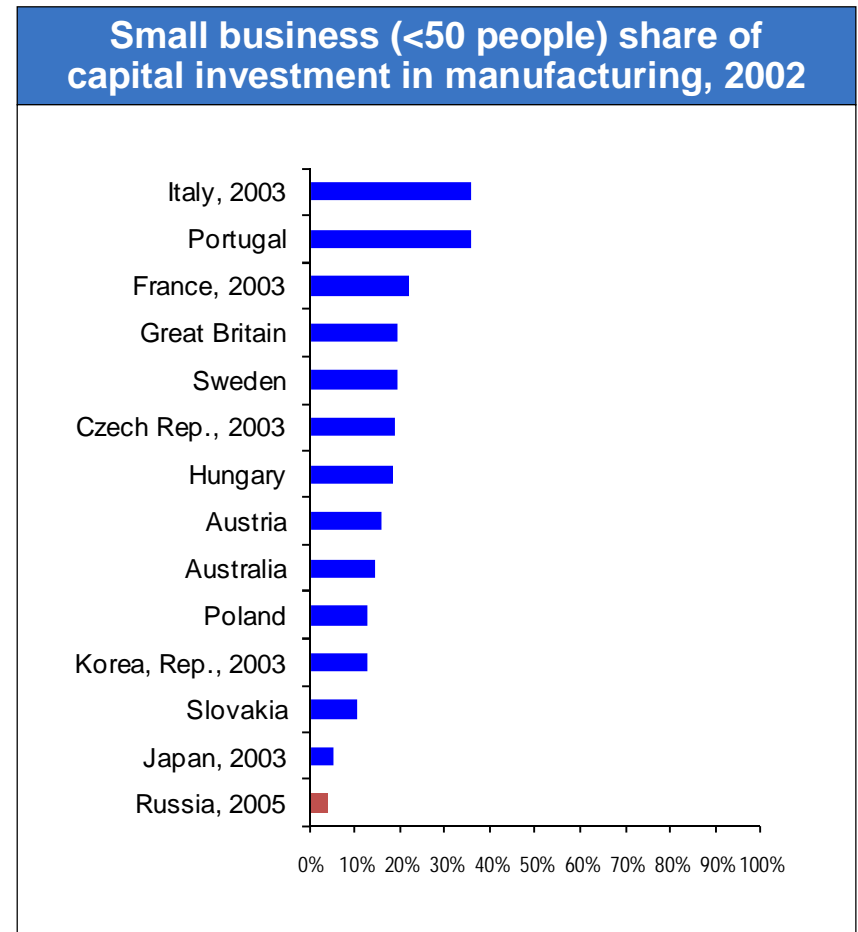
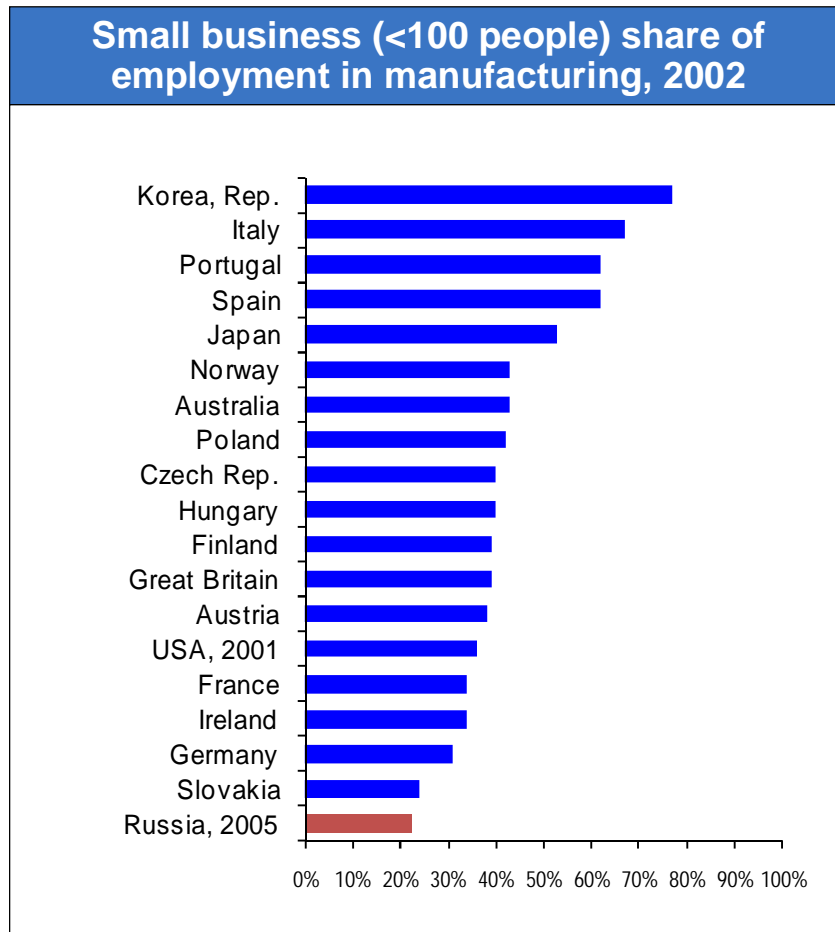
## SME underperformance of Russian economy is a challenge for the economic and industrial development



Source: OECD (2005), RCSME (2004), Rosstat (2007), analysis by Bauman Innovation

\* Employment data corresponds to the international definition of small enterprises (50 people or less). Industry statistics on small business in Russia corresponds to the national definition of small business (excl. farm employment), which includes enterprises with 50-100 employment for some sectors

## Small business share of manufacturing employment and capital investment in Russia is also comparatively low



Source: OECD (2005), Rosstat (2007), analysis by Bauman Innovation

\* Employment data refer to firms with 100 or less employed for all countries. Investment data for countries except Russia refer to firms with 50 or less employed (international definition of small enterprises). Investment data for Russia refer to firms with 100 or less employed, excl. individual entrepreneurs

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**Entrepreneurial activity, SME and cluster development are 3 important interrelated “ingredients” of Russian economy diversification and regional development**

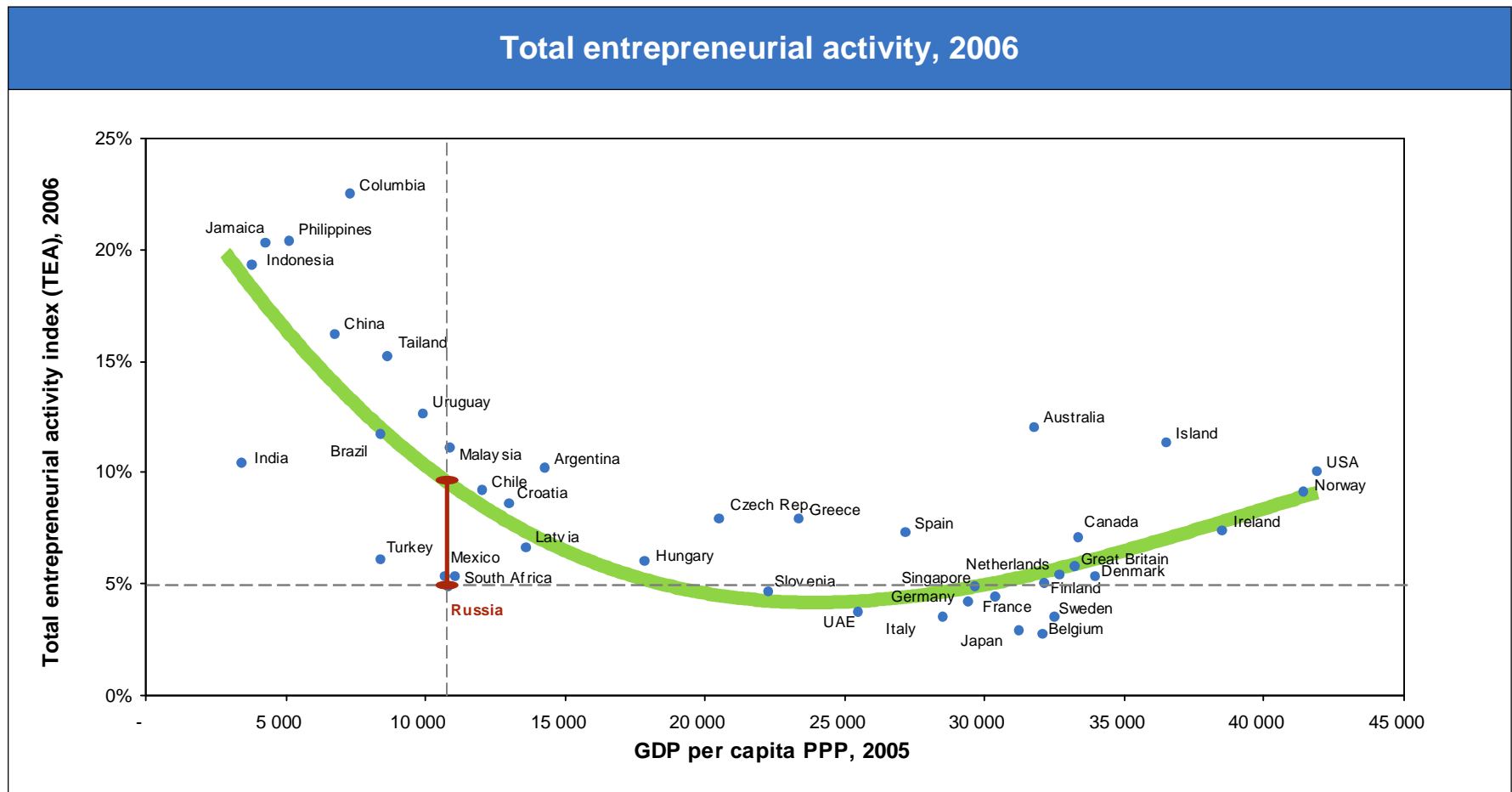
**Entrepreneurships**



**SME development**

**SME integration in  
cluster**

## Low level of entrepreneurial activity in Russia can also explain low level of SME development



Source: Global Entrepreneurship Monitor (2007), World Bank (2007)

## Content

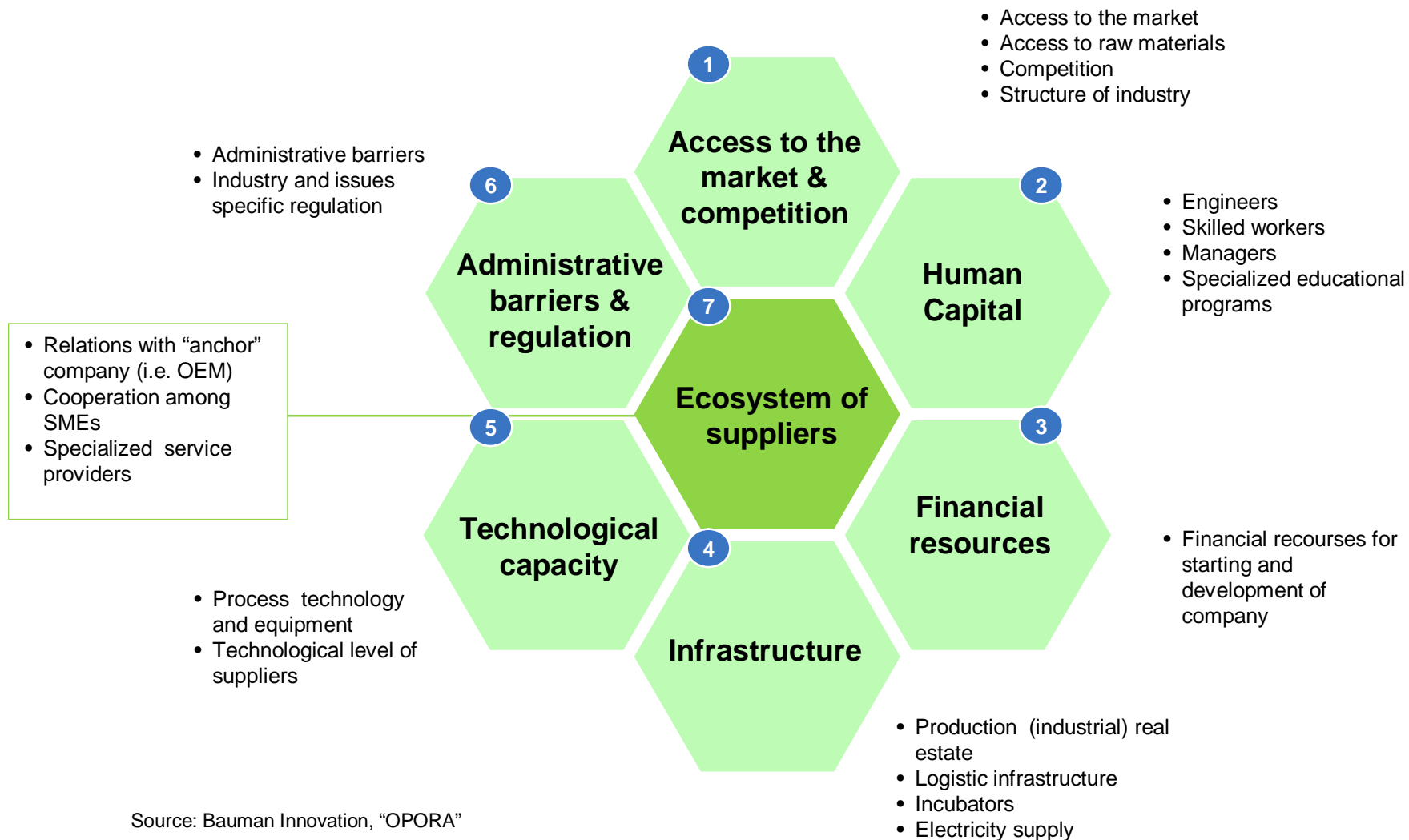
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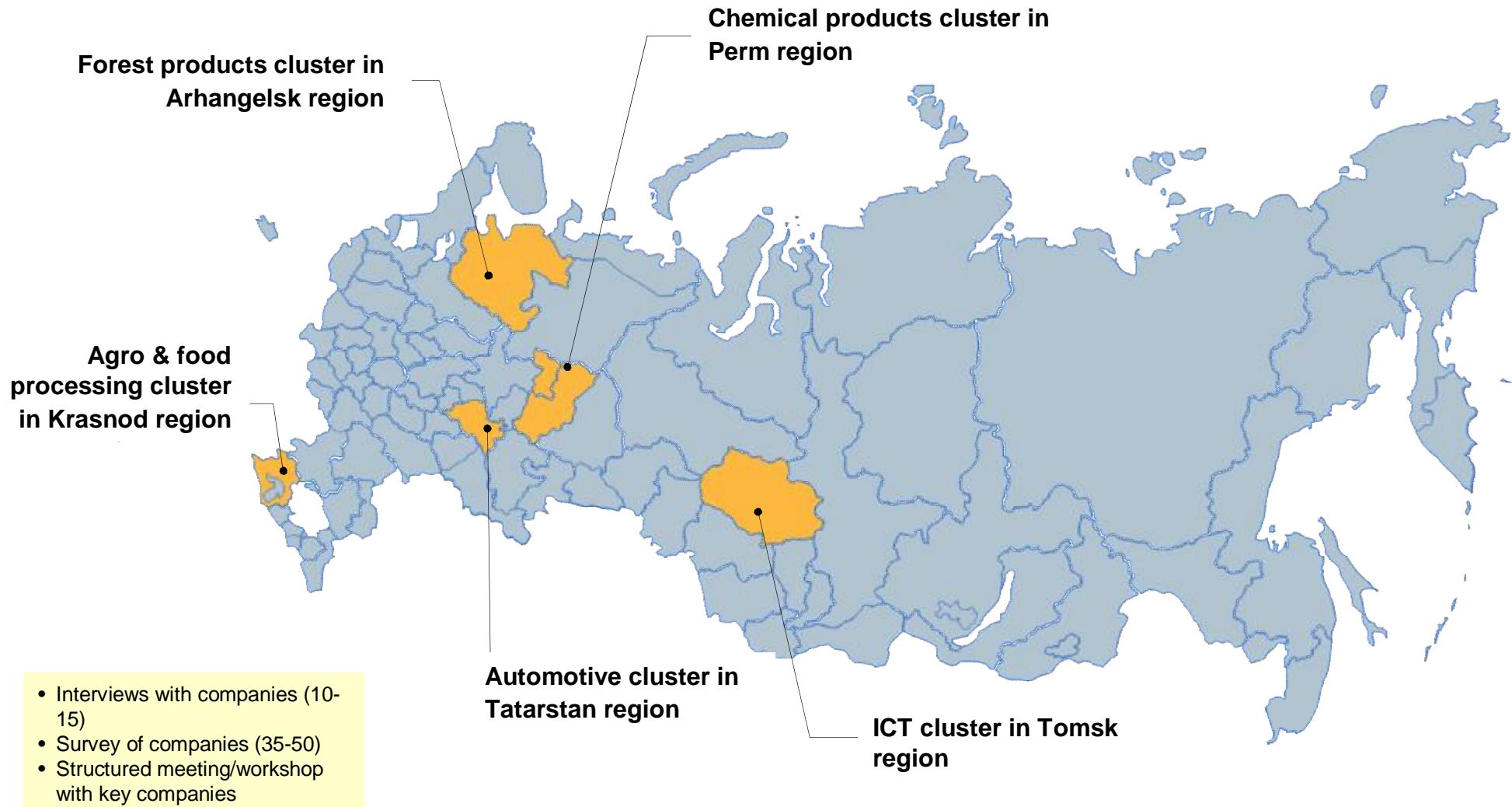
**3. Lessons for SME Policy**

## Enabling environment is becoming more important for SME development in Russian regions...but now it is driven by “endowment” factors



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## Barriers for SME development are cluster and regional specific and regional and local administration can play important roles



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## Case 1 - Agro & food processing cluster in Krasnodar region



# Enabling environment for agro & food processing cluster in Krasnodar region (1/2)

1

## Access to the market & competition

- Availability and quality of raw materials
- Distributors and efficiency of market channels
- Market power of buyers (consolidation)

2

## Human Capital

- Availability of skilled workers
- Availability of engineers and related specialists
- Availability of business development educational programs

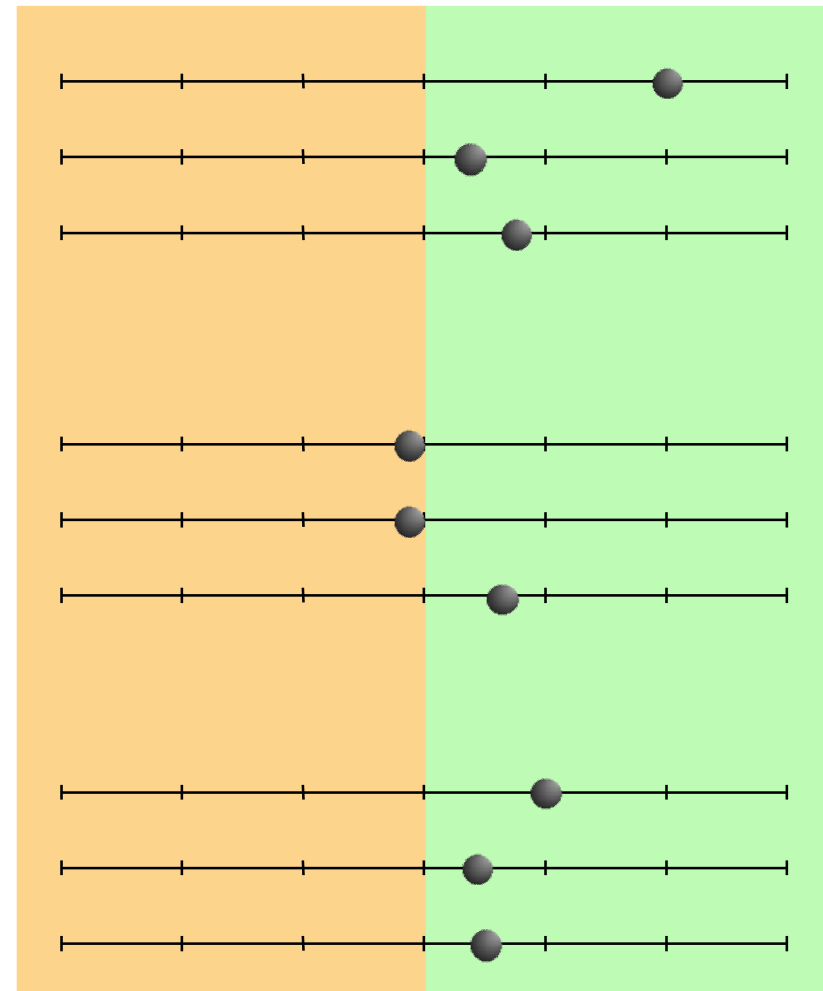
3

## Financial resources

- Availability of short term financial resources (less than 1 year)
- Availability of long term financial resources (more than 5 years)
- Availability of leasing services

Negative assessment

Positive assessment

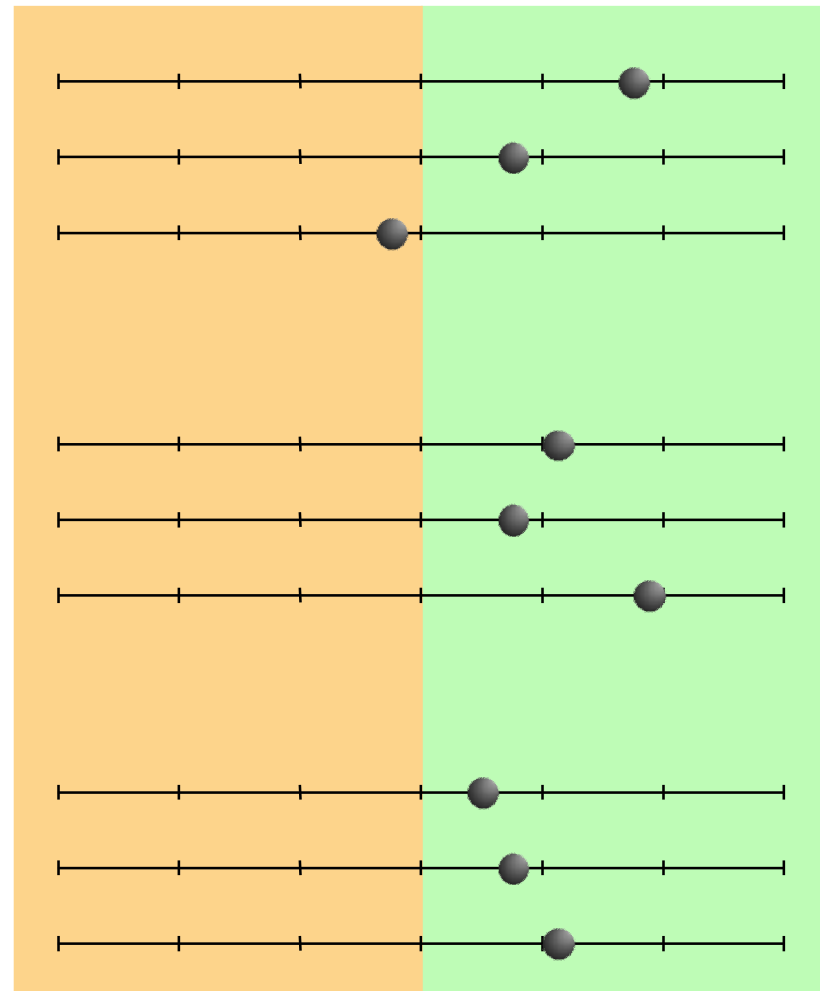


Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Enabling environment for agro & food processing cluster in Krasnodar region (2/2)

Negative assessment

Positive assessment



4

Infrastructure

- Quality of logistic infrastructure
- Availability of production (industrial) real estate
- Availability of land

5

Technological capacity

- Availability of new process technology and equipment
- Technological level of companies
- Technological level of suppliers

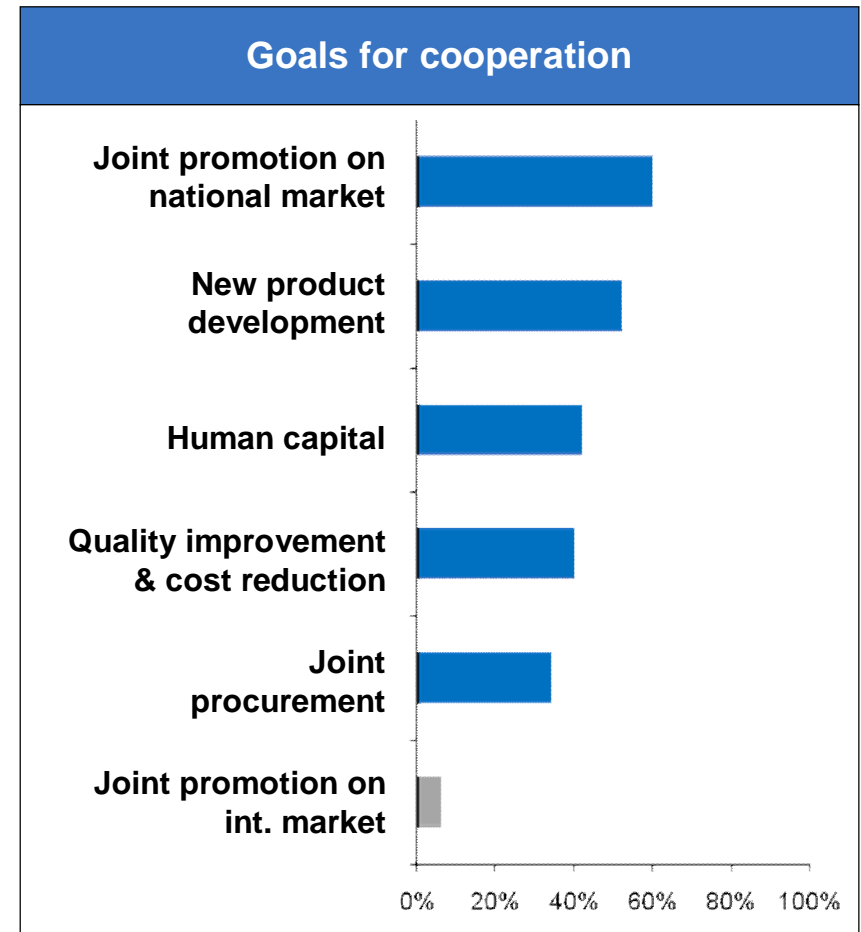
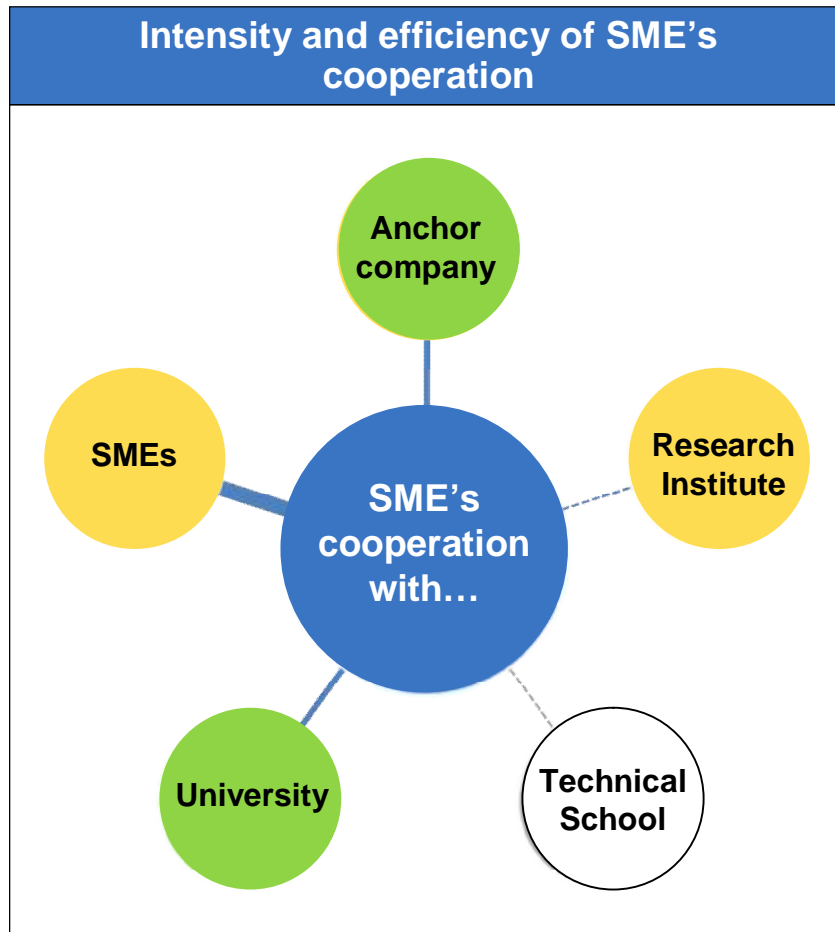
6

Administrative barriers & regulation

- Level of administrative barriers
- Quality of tax administrative processes
- Customs procedures

Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Cooperation in agro & food processing cluster in Krasnodar region



Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

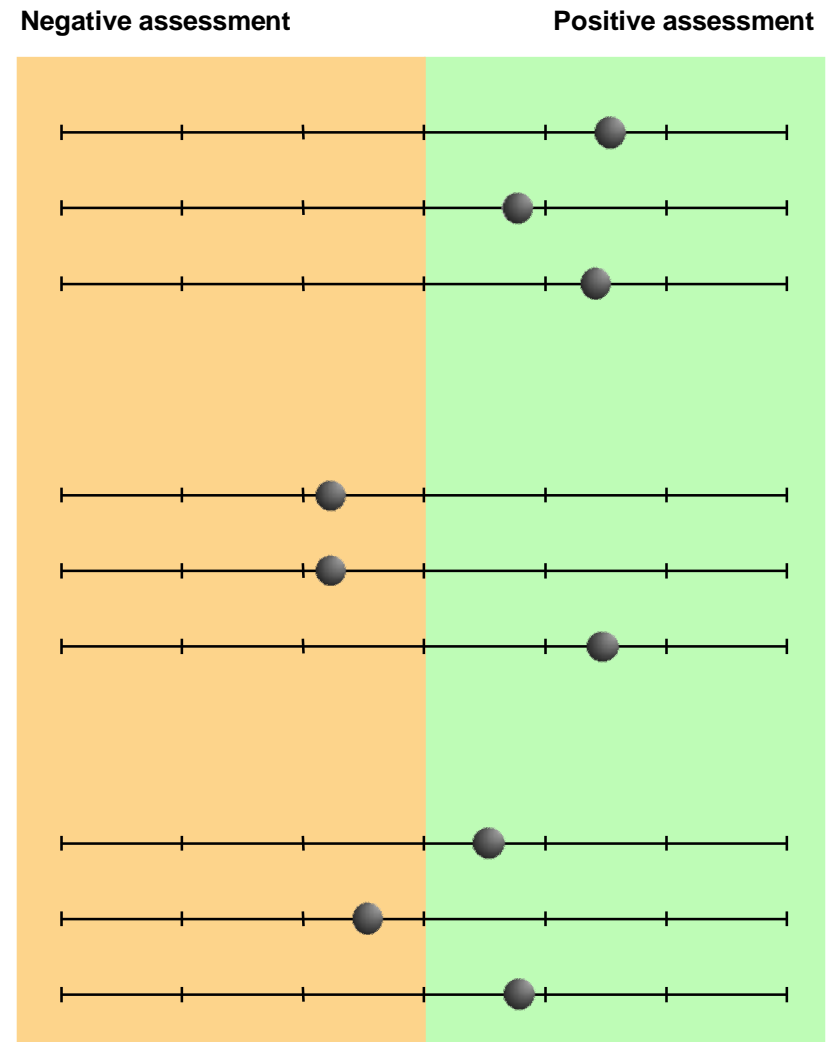
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## Case 2 – Automotive cluster in Tatarstan region



# Enabling environment for automotive cluster in Tatarstan region (1/2)

- 1** **Access to the market & competition**
  - Availability and quality of raw materials
  - Procurement policy of the anchor company (OEM)
  - Availability of foreign customers
  
- 2** **Human Capital**
  - Availability of skilled workers
  - Availability of engineers and related specialists
  - Availability of business development educational programs
  
- 3** **Financial resources**
  - Availability of short term financial resources (less than 1 year)
  - Availability of long term financial resources (more than 5 years)
  - Availability of leasing services



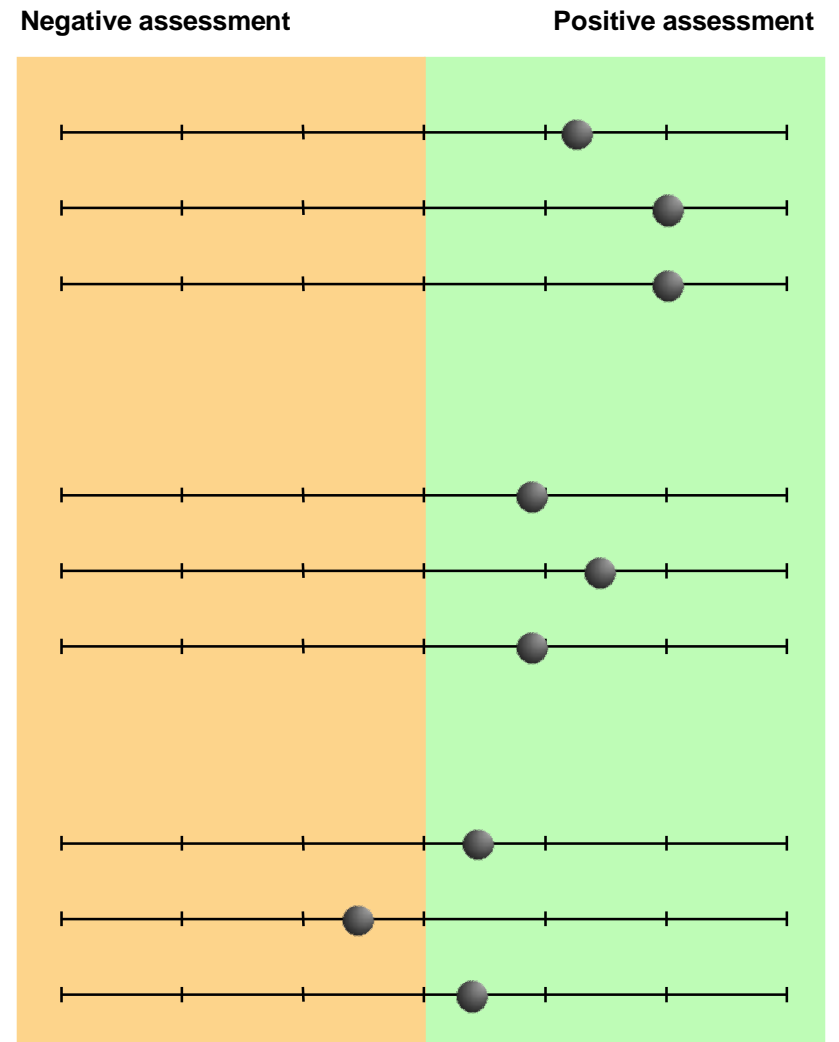
Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Enabling environment for automotive cluster in Tatarstan region (2/2)

- 4 **Infrastructure**
- Availability of production (industrial) real estate
  - Quality of transport infrastructure
  - Quality of electricity supply

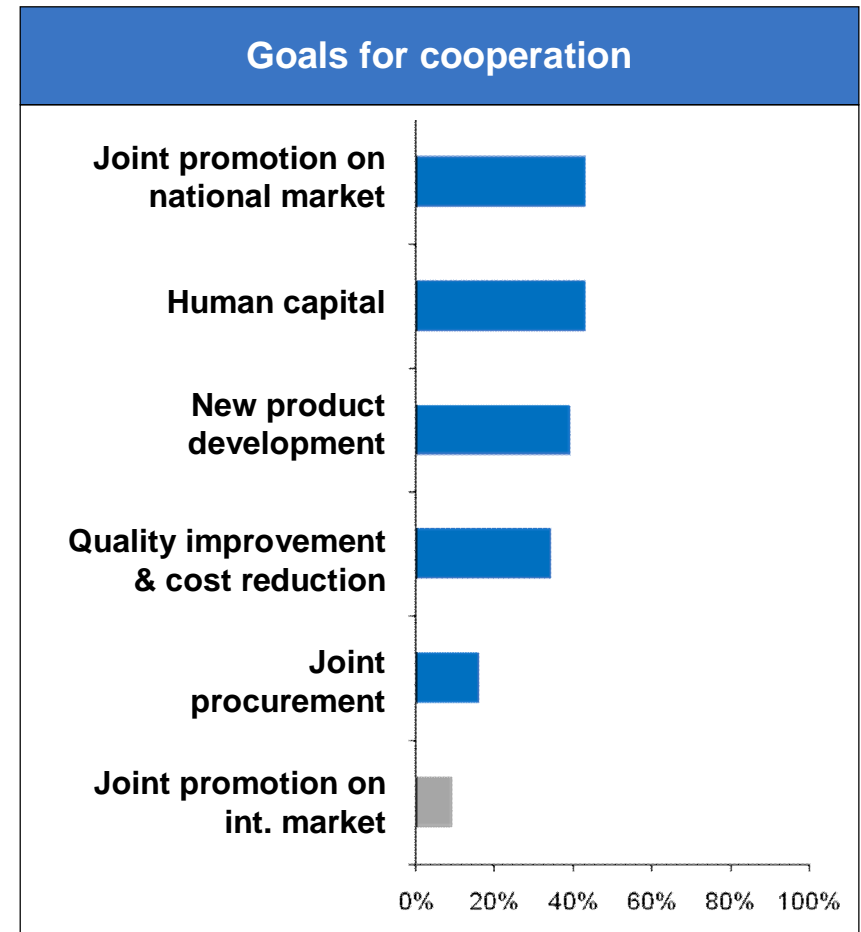
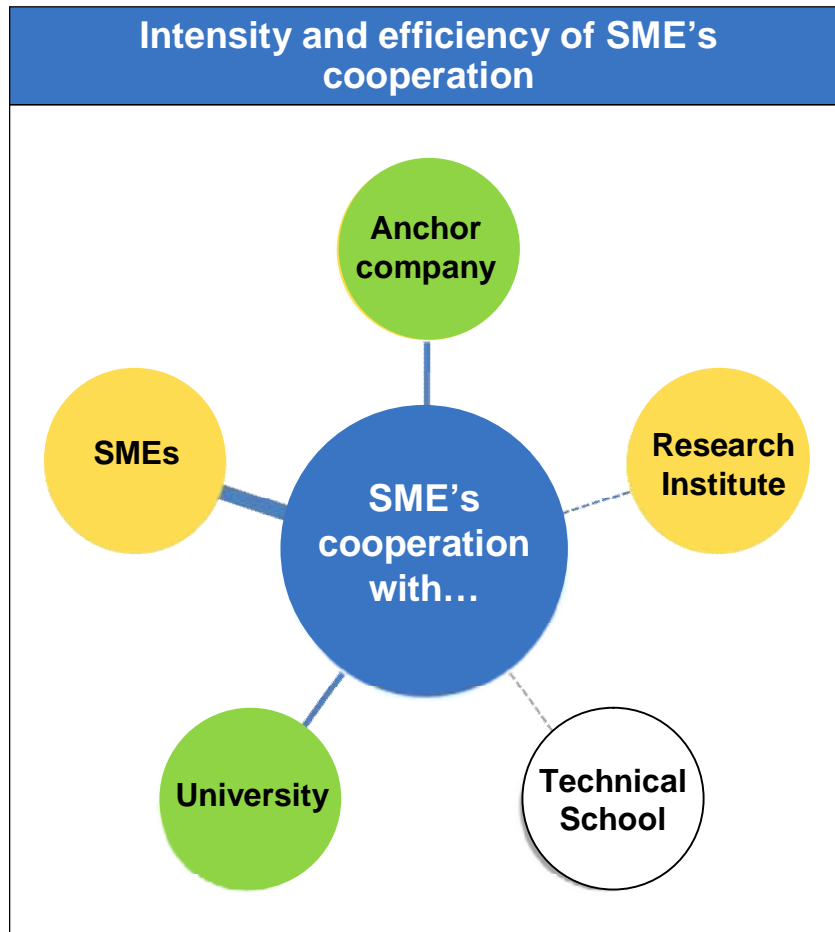
- 5 **Technological capacity**
- Technological level of companies
  - Availability of new process technology and equipment
  - Technological level of suppliers

- 6 **Administrative barriers & regulation**
- Level of administrative barriers
  - Quality of tax administrative processes
  - Industry specific regulation



Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Cooperation in automotive cluster in Tatarstan region



Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

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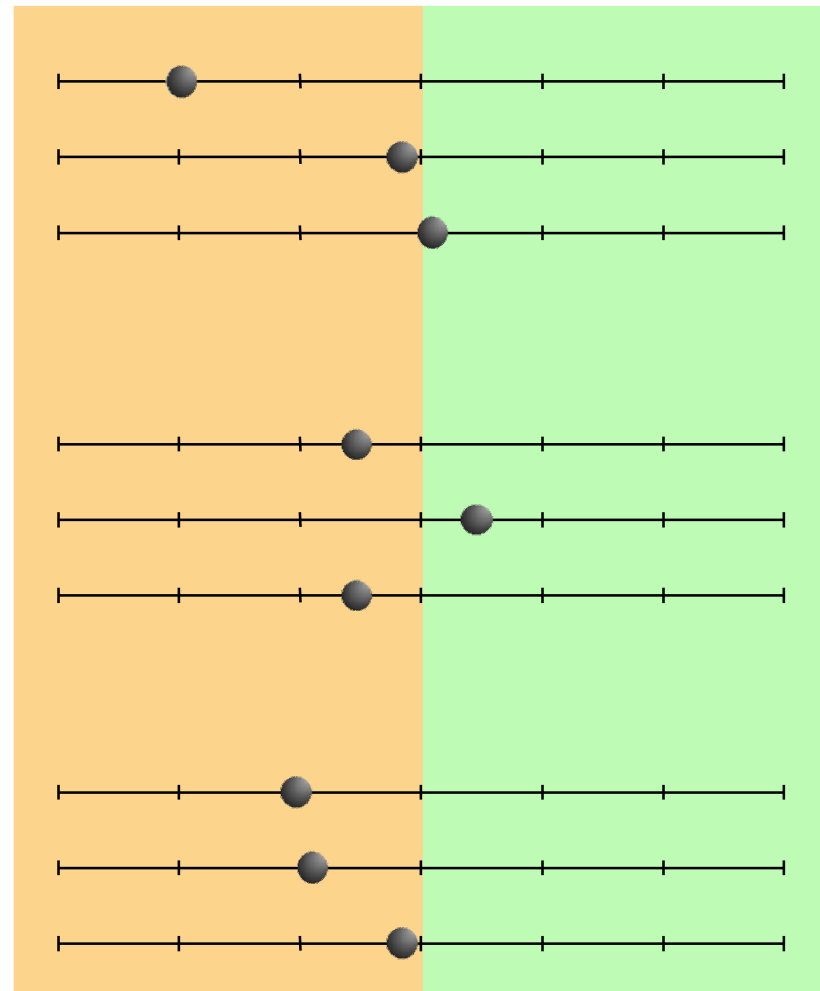
## Case 3 – ICT cluster in Tomsk region



## Enabling environment for ICT cluster in Tomsk region (1/2)

Negative assessment

Positive assessment



1

Access to the market & competition

- Government procurement
- IPP regulation
- Availability of foreign customers

2

Human Capital

- Availability of engineers and related specialists
- Availability of business development educational programs
- Quality of Life in region for human capital retaining

3

Financial resources

- Availability of venture capital
- Availability of financial resources for commercialization of technology (seed and pre-seed)
- Availability of leasing services

Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Enabling environment for ICT cluster in Tomsk region (2/2)

4

### Infrastructure

- Availability of production (industrial) real estate
- Availability of office space
- Availability of business incubator space

5

### Technological capacity

- Quality of technology transfer/commercialization office
- Technological level of companies
- Availability of new product and process technology

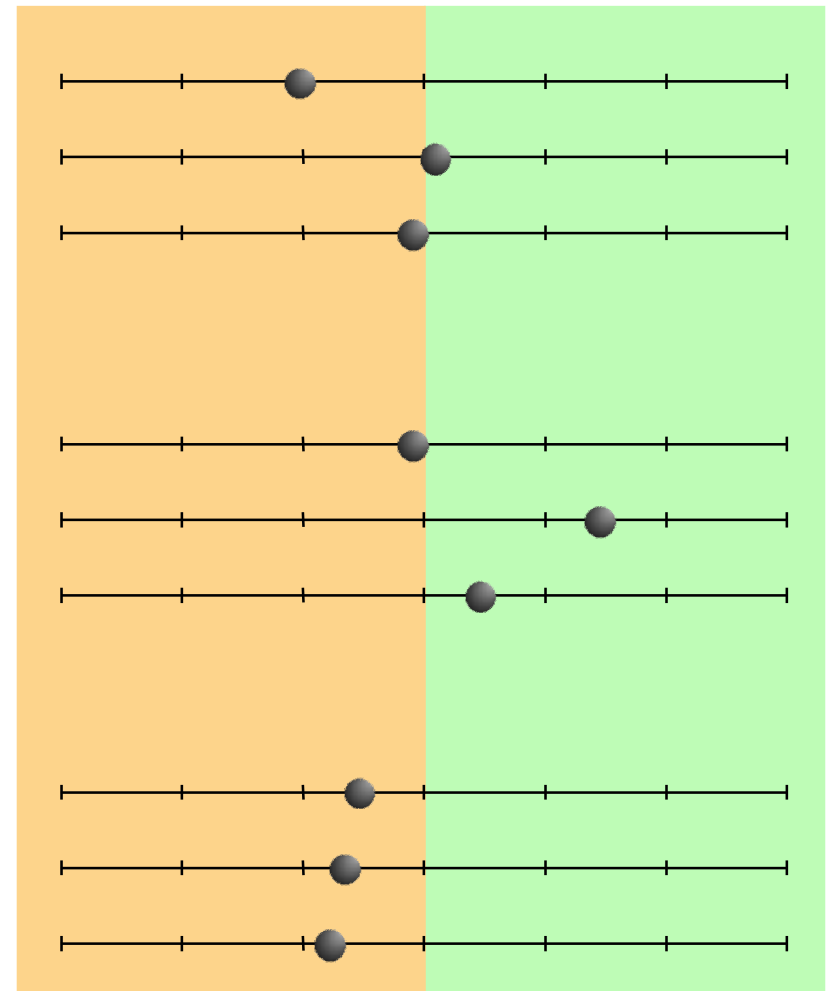
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### Administrative barriers & regulation

- Level of administrative barriers and industry specific regulation
- Quality of tax administrative processes
- Customs procedures

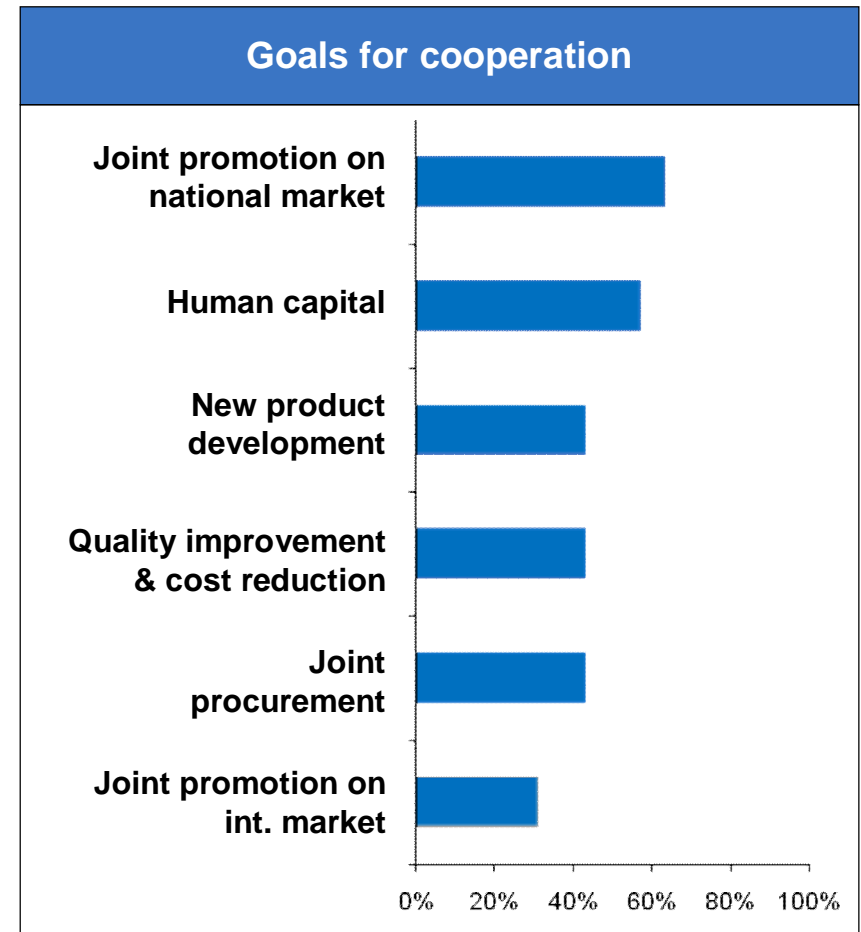
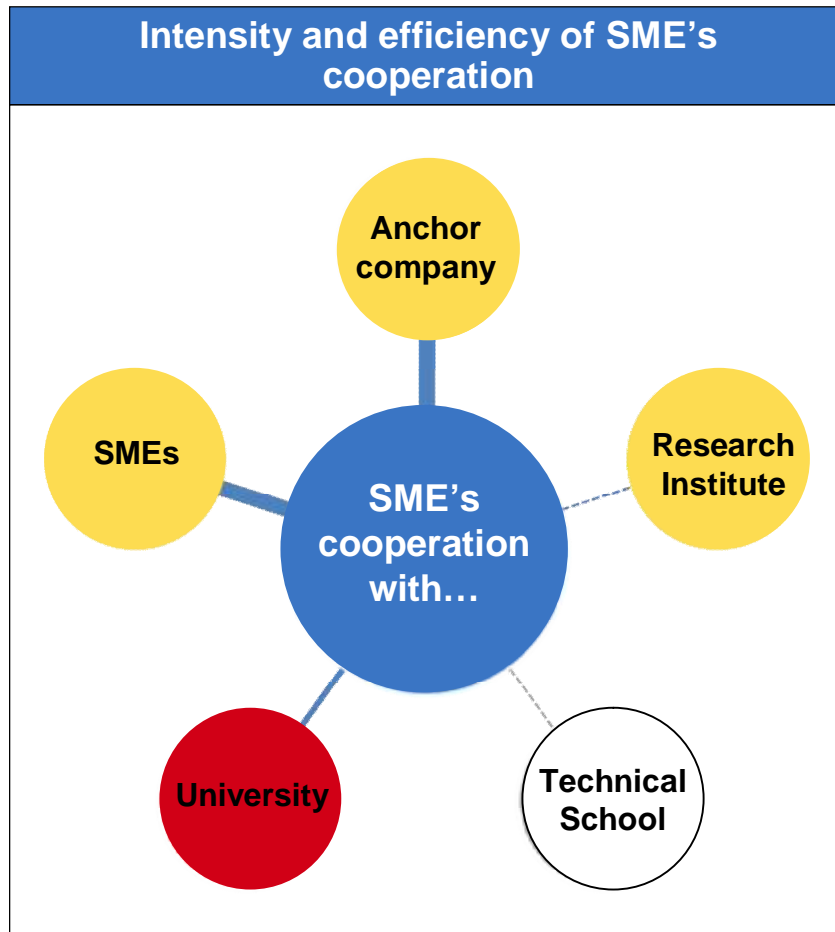
Negative assessment

Positive assessment



Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Cooperation (with partners in Russia) in ICT in Tomsk region



Source: interviews and survey of companies in the cluster, Bauman Innovation, "OPORA"

## Content

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3. **Lessons for SME Policy**

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## Short and medium term challenges for SME policy in Russia

### SME & clusters in Russian regions and...

- **Low level of SME** development in Russian economy in general and **in manufacturing** sectors
- **Entrepreneurship activity, SME and cluster** development are 3 important interrelated “ingredients”
- Current **SME drivers** in Russian regions are based on “**endowment**” factors like market size
- **Regional** specific enabling **environment** is becoming **more important** for SME & cluster development
- Competitive strategy of SMEs in Russia is more **regional and national** market **oriented**
- Intensity and efficiency of SME’s cooperation is low
- **Access to the market** (i.e. market channels, OEM procurement policy and government procurement) **is important** enabling factor
- Availability of **financial resources** and cluster specific **infrastructure** is also important

### ...Lessons for SME policy

- **Differences** in enabling environment **across** Russian **regions and clusters** are **key challenge** for national SME policy
- Some of regional **differences can be** explained by efficiency of SME policy of **regional administration**
- Regional and local governments will play more important role in SME development
- Regional SME policy (short and medium term) can be focused on some important issues: **infrastructure** (i.e. industrial/suppliers park), availability of **financial resources**, regional **innovation infrastructure** and administrative barriers
- Two different models of regional SME policy is emerging in Russia (“less involvement” and “more dirigistic”)
- **National SME policy** should be more focused on stimulating and **supporting regional SME policy**



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