

# Chapter 7

## The Characteristics of SMEs in Dubai and Their Impact on Innovation

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### **ABSTRACT**

*This chapter explores the extent and characteristics of small and medium enterprises (SMEs) in Dubai and their innovative practices. Within this context, considerable emphasis is placed on evaluating the propensity of these SMEs to adopt new technology. SMEs are significant to the local entrepreneurship and innovation activities as well as improving competitiveness. Furthermore, these enterprises play a crucial role in job creation and are fundamental to economic growth. The connection between economic success in SMEs is fundamental since these firms are able to incorporate innovation into their operations and organizational practices.*

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## **INTRODUCTION**

This chapter explores the extent and characteristics of Small and Medium Enterprises (SMEs) in Dubai, and their innovative practices. Within this context, considerable emphasis is placed on evaluating the propensity of these SMEs to adopt new technology. SMEs are significant to the local entrepreneurship and innovation activities as well as improving competitiveness. Furthermore, these enterprises play a crucial role in job creation and are fundamental to economic growth. The connection between economic success in SMEs is fundamental since these firms are able to incorporate innovation into their operations and organisational practices, (Bravo-Biosca et al., 2016). This chapter is divided into three sections and section one sets the scene by exploring the breadth of the definition of SMEs and the concept of innovation, while section two examines the impact of SMEs on economic development in Dubai. Section three concentrates on the nature of infrastructure and support mechanisms for SMEs. Of the seven states in the UAE, the state of Dubai is the focus of this chapter because it is the first to implement major reforms, achieve high economic and market growth and form a strong position in the business world.

In Dubai, SMEs comprise the majority of firms operating in, both, the service and manufacturing industry sectors and making significant contributions to the local economy (DCCI 2010). As an emerging market and fastest growing economy in the Middle East and North Africa, Dubai has attained important levels of modernisation, industrialisation, and rapid economic growth. It is considered to be in a transitional phase between a developing and a developed market economy. The progress towards becoming an advanced market economy include forming market exchange and offering opportunities in foreign direct investment and adapting international technological knowledge. Hence, SMEs are supported and stimulated to revive the market and initiate new products and services, (UAE MFT 2012). However, in order for SMEs to establish in the Dubai market, the firms must have a minimum of 51% UAE national ownership. Dubai reflects the features of the UAE economy in areas such as infrastructure, business activities, investment, competitiveness, economic and social changes. This is achieved through a strategic plan which is knowledge-driven and competitive, (UAE MFT 2012). Furthermore, Dubai has designed a consistent strategy to promote large scale innovation with great potential for becoming an innovation hub for the region.

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