

Chapter 13

A Systemic Perspective for Supporting Production and Innovation in Brazilian Micro and Small Enterprises

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ABSTRACT

The objective of this study is to provide an overview and to discuss the recent Brazilian experience in formulating and implementing policies for promoting Micro and Small Enterprises (MSEs), especially considering the initiatives that depart from a systemic approach to promote production and innovation. The chapter emphasizes some crucial issues in the discussion of industrial and innovation policy, such as the adequacy of the instruments, the institutional set-up and the effective and potential convergence of different types of policies to support MSEs under the header of Local Innovation and Production Systems (LIPS). Data on the performance of MSEs in general and those inserted in LIPSs in the recent period suggest that the diversified set of initiatives had a considerably positive impact, especially in relation to formalization, access to credit, and incremental improvements and innovations. On the other side, the articulation of actors for enhancing interactive learning processes and technical training deserve more attention. Positive prospects for the promotion of MSEs, based on a systemic approach, are related to LIPS policies that articulate main policy vectors: science, technology and innovation, industry, and regional and social development.

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INTRODUCTION

This study discusses the issue of micro and small enterprises (MSEs) on a systemic perspective, based on the concept of innovation systems (Freeman 1982 and 1987; Lundvall 1985). The concept of Local Innovation and Production Systems (LIPSs) has been introduced in the Brazilian policy agenda in the last decade and has been used especially for promoting MSEs. This approach, which is based on the broader framework of Innovation Systems, has proven to represent a powerful instrument to understand and to orient policies to promote learning, innovation and competence building processes. More than an alternative to traditional policy approaches, this perspective offers an opportunity for articulating different types of policies, articulating regional, industrial and science and technology policy with sustained economic and social development (Cassiolato et al. 2003).

A systemic perspective has proven to be especially important for understanding and dealing with the challenges MSEs face. Interactions among firms and other institutions are crucial for all types of firms for enabling production processes, knowledge generation and diffusion and innovation. Nevertheless, these interactions within a complex system prove to be especially relevant for MSEs given their need to access complementary competences, their insertion in complex networks and the potential for cooperation to favor collective strategies (Freeman 1991; Arocena and Sutz 2001; Cassiolato et al. 2003; Tomlinson and Fai 2013). Furthermore, policy initiatives have to take into account a varied set of elements, such as the specific characteristics of each country and locality, shaped in a historical process, and such as the social contexts, business and institutional environment and policies (Cassiolato and Lastres 2008).

In broad terms the Brazilian MSEs policy evolved along two main axes. On the one hand,

it seeks to associate the development of MSEs with the modernization of productive structures and the generation and diffusion of new technologies, systems and organizational formats. On the other hand, special emphasis has been given to the potential of MSEs to contribute to the socio-economic development, playing an important role in mitigating the effect of economic crises, the reduction of regional disparities and the inclusion of marginalized social groups.

The analysis in this paper seeks to explore these two central lines of policy actions, with emphasis on the Lula administration (2003-2010) and the beginning of the current Dilma administration in the presidency. This period is marked by the creation of new mechanisms to support MSEs and their consolidation and expansion, as well as by a positive evolution of numerous indicators related to the performance of MSEs, which suggests a relative success of the initiatives. While there is significant progress in targeting traditional barriers such as bureaucracy, formalization and access to credit, there is still a long way to go in other areas.

The chapter presents a qualitative analysis of recent policy initiatives directed to MSEs in Brazil, which is based on studies on the topic, primary and secondary data from support and promotion organizations and the author's direct experience in introducing and collaborating with these initiatives. The choice to focus on a systemic perspective derives in part from the fact that this has been an explicit goal of MSEs policies in the period. In part, as outlined in the conclusion, this choice derives from the advantages it poses for efficiently articulating different support initiatives. The main quantitative information derive from the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE), from the Brazilian Innovation Survey, conducted by the Brazilian Institute of Geography and Statistics (IBGE) and from empirical studies conducted by the Research Network on Local Productive and Innovative Systems (RedeSist).

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