

Graduates offer small businesses a route to innovation—but firms don't know how to access them

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Graduates offer companies an untapped resource that leads to innovation, and small and medium-sized businesses need to embrace it.

Research from Lancaster University Management School, working as part of the SMETHOD Project, funded by Horizon 2020, shows SMEs that employ graduates are much more likely to innovate and develop.

Yet, these firms—recognised by the European Commission as 'the backbone of Europe's economy' - are unlikely to bring graduates into their businesses. Many are unsure of how to recruit them and need help from universities, graduate recruitment programmes and other pathways into the talent pool.

SMETHOD, led from Poland and working in the UK, Spain, Finland and Cyprus, aims to help SMEs survive and thrive, a goal key to [economic growth](#), innovation, social integration and job creation across the EU. The project will help funders identify businesses with innovation potential and choose what support they need, better targeting funding to areas where it is most effective.

As part of the project, researchers have identified that SMEs with a higher proportion of graduates are more likely to foster a culture of innovation. They see addressing this as crucial.

"Governments around Europe want to encourage innovation within SMEs to help them deal with the megatrends of globalisation, [demographic change](#), and the rise of robotics and Artificial Intelligence," said Dr. Carolyn Downs, of Lancaster University Management School's Department of Marketing. "Innovation is needed to cope with these challenges, and graduates are a precious source of that."

"SMEs are a major employer both in this country and across the EU, and our research shows that the more graduates an SME employs, the greater the chances of developing a culture of innovation within that company. This, in turn, encourages growth both within the companies themselves and in the wider [business](#) sector."

"SMEs are where we, as universities, need to be sending more of our graduates—to the benefit of all sides; the barrier is that many SMEs don't know how to go about employing them. Businesses need to develop links with universities to be able to benefit from graduates. This is especially true of firms with fewer than 25 employees, and these links could take numerous forms. This could include participation in live projects with students before graduations, student placements and internships, advanced apprenticeships or knowledge transfer partnerships."

SMEs represent 99 per cent of all businesses in the EU and have created 85 per cent of new jobs in the last five years—providing two-thirds of the total private sector employment across the union and 60 per cent in the UK alone.

Yet, there has been a recent decline in the number of private sector businesses—down by 27,000 in the UK in 2018 compared to 2017—amid uncertain economic conditions. The need to be more resourceful thus becomes ever more important, with innovation key to survival and growth, and also a way of tackling the UK productivity gap.

Innovation can also help with other key issues, such as tackling global warming, and Dr. Downs added: "One important area where SMEs have potential to lead the way is with green innovation, contributing towards combatting the climate emergency. Bringing innovative thinking on board through the employment of graduates can benefit SMEs in many different ways.

"Traditionally, [innovation](#) funding has been targeted at new inventions and products, but it can help across a wider range of areas, such as increasing productivity and other decision-making and development spheres."

The SMEMethod research recommends effective support to encourage SMEs to employ graduates; funding from government to provide graduate placements and internships; and grants to help pay for graduate salaries. Similar funding is necessary for group [graduate](#) training schemes, allowing small SMEs to deliver high-quality training that competes with that on offer from [large corporations](#).

Other policy proposals from the research include an increase in management training and workforce development opportunities; the facilitation of easier collaboration between smaller SMEs; and an increased use of ICT, with training and financial support provided.

Provided by Lancaster University

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