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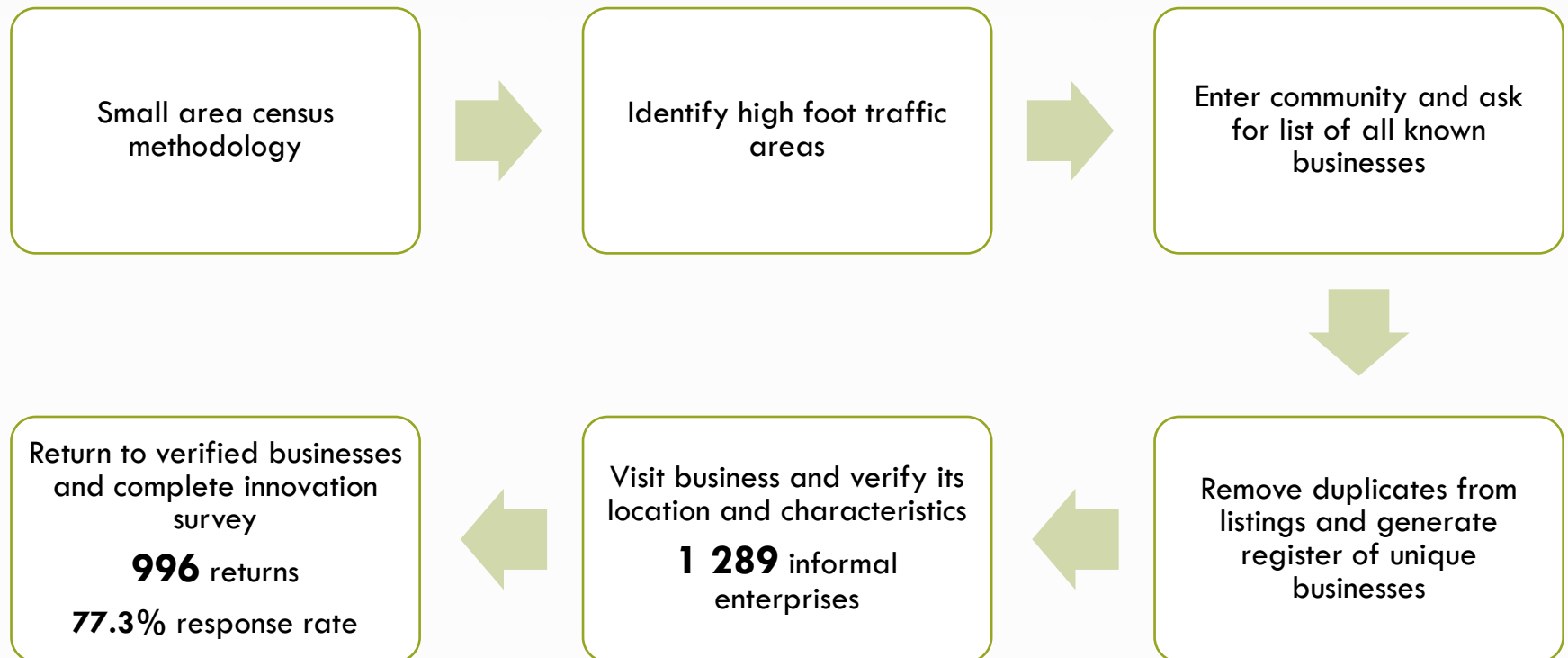
Centre for Science, Technology
& Innovation Indicators

Innovation in small informal enterprises

Baseline survey and insights from two sectoral case studies

Dr Glenda Kruss, Executive Head: CeSTII
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An area-based census survey of informal businesses



Innovation in context

...innovation is a new or improved product or process (or a combination thereof) that differs significantly from the **unit's** previous products or processes and that has been made available to **potential users** (product) or **brought into use** by the unit (process). (OECD 2018)

WHAT IS INNOVATION?

Innovation can mean lots of different things to different people...

It can mean doing new things or doing things better to get better outcomes for our businesses, families, or communities.

Innovation is about learning, making a change, and seeing better outcomes.

We are working with people in Sweetwaters in South Africa to understand their experiences of innovation.

SOME EXAMPLES OF INNOVATION

- 1 New or changed goods or services ✓
- 2 New or changed processes for producing goods or services ✓
- 3 New ways for marketing goods or services ✓
- 4 Changes to how we set up our businesses or work places ✓

This is Ethel outside her home. She has been running her *shisungama* business for a few years, selling chicken and beef. It was a good business, and lots of other cooks started selling the same meals.

Hi Ethel, how is business?

I'm struggling, Ruth, because of all the other stands.

If you sell pork and sheep liver, maybe you will attract more customers.

Ethel changed her menu, and also made a new sign. Over time, her queues got longer.

Ethel soon realised others were selling pork and sheep liver, too. Ethel heard from a friend that visited her from another province that if she cooked pork and sheep liver in a pot with beans, the taste would improve.

Hi, I would like to buy a pot for my *shisungama*. I need an extra large. Please make legs for the pot so it can stand on ground over a fire.

Ethel's *shisungama* business started to grow again, because she could now prepare more *shisungama* than her competitors and also the taste was different.

It feels like business is better, Ethel.

I had to make some changes, but even if it is better. Thanks for sharing your ideas, Ruth.

How does innovation work in your business or community?

Why is innovation in the informal sector significant?

- Hoffeecker (2018) identified two potential pathways through which **informal local-level innovation contributes to local development**:
 - Pathway 1 is through the direct social and economic benefits related to the use and adoption of the specific innovations
 - Pathway 2, **which has the most significant impact**, is the contribution to building and strengthening local ecosystems for entrepreneurship and innovation (i.e. LIPSs)

Local Innovation Production System

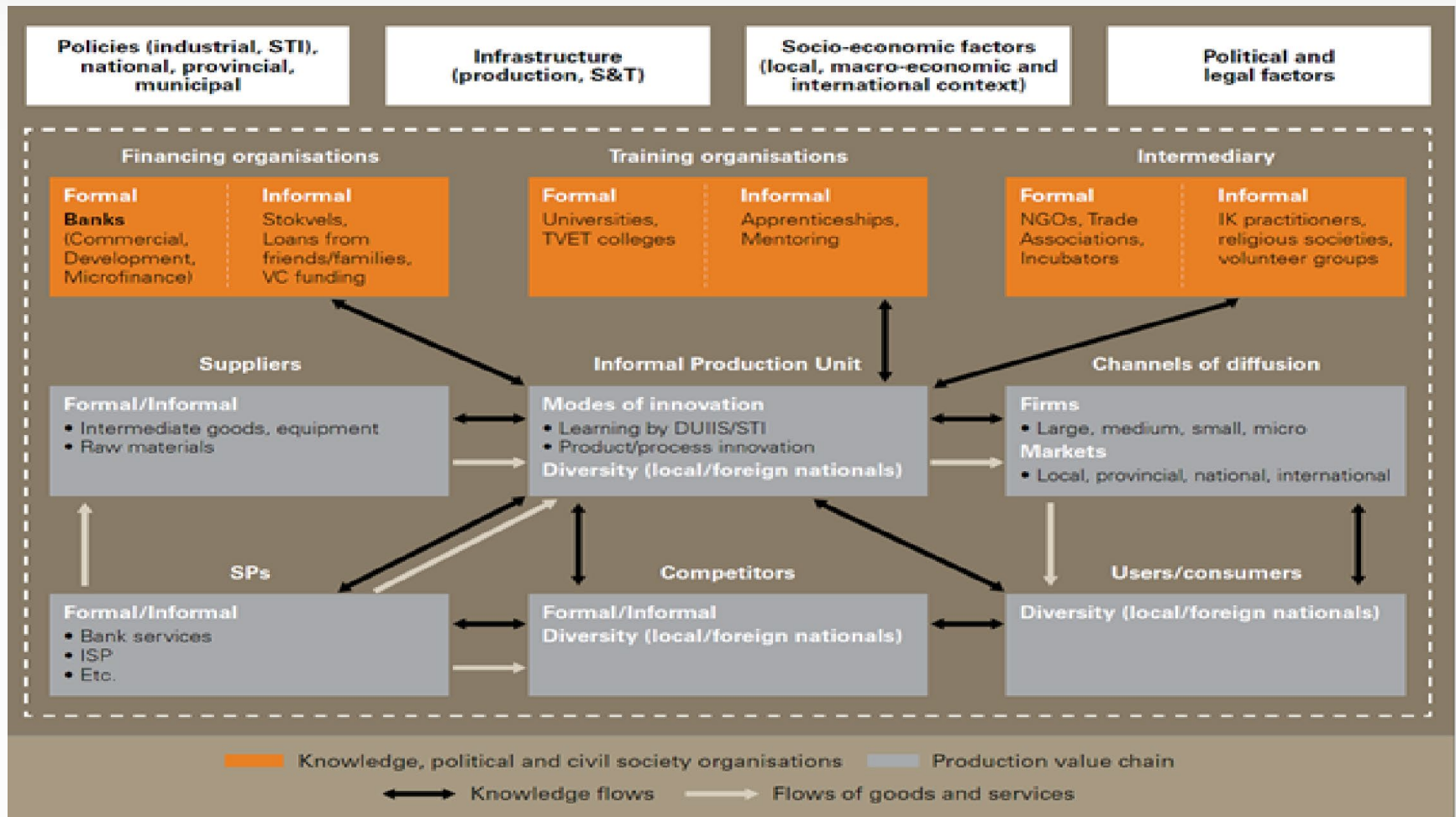


Figure 1 Local innovation and production system (LIPS) framework adapted for the informal sector

Source: Adapted from Mustapha et al. (2021)

Research Findings

Innovation in the informal sector **can** be measured through a standardised instrument

Management of innovation in informal micro-enterprises requires very different policy approaches

- micro-enterprises leverage the localness of their operations by innovating on an almost constant basis; innovation rate was very high (82.5%)
- Innovation is typically non-technological

The focus of policy needs to be on

- building learning capabilities within **local** innovation and production **systems**
- Supporting innovation in informal micro-enterprises, to grow in complexity in order to become financially viable and sustainable businesses that contribute to decent employment at the local level

THANK YOU

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