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Dorjana Feimi

University of Vlora, dorjanafeimi@yahoo.com

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Why SMEs needs to invest in innovation?

Dorjana Feimi

University of Vlora, Faculty of Economics, Management Department

Email: dorjanafeimi@yahoo.com

Abstract. *History has amply demonstrated that innovation in the public and private sectors is the most important key to long-term prosperity and economic competitiveness. A recent OECD study using innovation surveys for 21 countries showed that firms receiving public support for innovation, invest 40% to 70% more than those that do not. Also, higher levels of firms' investment in innovation lead to higher innovation sales and productivity. Especially in countries in transition, they face a number of obstacles: administrative barriers, limited access to nance, lack of technology, entrepreneurial skills. Yet, these days Albania represents a deficit in innovation, with a poor performance, which becomes a handicap for the competitiveness of its enterprises. It ranks 123 out of 142 in Global Competitiveness Report 2011-2012. This puts in risk the competitiveness (ranked 78th out of 142 countries) and sustainability of economic growth and employment. However, Albania is ranked 62nd in terms of technological capacity.*

The purpose of this paper is to serve as a basis for discussion about the reasons why Albanians SME need to invest in innovation and on the key priorities for action to support innovation in Albania and to identify initiatives where these organizations can help catalyze change to go forward.

Keywords: *innovation, Albanian SMEs, development of SMEs, growth.*