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### Impact of Innovation on the Competitiveness of SMES in Mexico

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#### Abstract

The impact of innovation on the competitiveness of Small and medium-sized enterprises (SMEs) in Mexico is analyzed. The measurement of competitiveness is done by analyzing export activity, while the measurement of innovation is based on the frequency with which SMEs develop, adapt and generate technology for their own use or for subsequent sale and the frequency with which they register patents and trademarks. A logistic model is estimated considering structural characteristics, business strategy, innovation effort and innovation performance of firms with data from the survey ENAPROCE 2018. The results indicate that innovation has a positive effect on the competitiveness of SMEs in Mexico. If the firm adapts and modifies technology to achieve higher productivity, the probability that the firm is competitive is 0.0347% higher than firms that do not do so. The average total personnel employed, the years of operation and the percentage of foreign equity ownership are factors that have a positive effect on the probability that firms are competitive. In the factors that evaluate the innovation effort of SMEs, spending on research and development, spending on innovation, and investing in machinery and equipment are determinants for firms to increase their probability of being competitive.

**Keywords:** Small and medium-sized enterprises, Innovation effort, Competitiveness.

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